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Lebanon: A Wider Power Base

Gemayel to Seek Reconciliation to Curb Syrian Influence

By John M. Goshko
Washington Post Service

WASHINGTON — President Amin Gemayel will try to increase his authority by urging Lebanon's rival factions to join a broadly based "national reconciliation cabinet" and by working with Israel to establish a Lebanese civil authority in Israeli-occupied southern Lebanon, U.S. officials and diplomatic sources said.

These moves, which are intended to help shift the balance of power in the divided country away from Syria, were agreed on in talks in Washington last week between Mr. Gemayel and President Ronald Reagan, the sources said Tuesday.

The aim is to win over Syrian-backed Lebanese factions that are

fighting Mr. Gemayel's government. If their links with Syria can be loosened enough to permit government forces into the areas of Lebanon under their control, the next step would be to extend a Lebanese central government presence into southern Lebanon as a prelude to Israeli withdrawal of at least some of its forces.

According to the sources, the Reagan administration regarded this approach as the most important part of its effort to work separately with Mr. Gemayel and Israel to convince Syria that its best hope of winning its objectives in Lebanon rests not in continued military activity but in negotiations for the removal of its foreign forces.

"If the Gemayel government fails, Lebanon falls, and we leave,"

one U.S. official said. "Either it works, or it's curtains for Lebanon."

U.S. air strikes against Syrian installations in Lebanon on Sunday have focused attention on increased military pressure on President Hafez al-Assad of Syria to make him more cooperative.

The purpose, according to U.S. officials, is to demonstrate to Syria that the United States is determined to resolve the Lebanon problem and will not be pressured into removing U.S. Marines from Beirut even if they draw more Syrian-inspired attacks.

But, they said, the main hope of breaking the Lebanon impasse rests in the political moves worked out separately last week with Mr. Gemayel and Prime Minister Yitzhak Shamir of Israel.

Specifically, the sources said, the plan calls for Mr. Gemayel to reconvene, before the end of the month, the Geneva talks on power-sharing with his domestic foes and propose a new cabinet that will have 20 to 24 members representing Lebanon's principal Christian, Sunni, Shiite and Druze Moslem factions. Syria has allies among all the groups, which want a greater share of political and economic power.

In exchange, the groups would be expected to allow Mr. Gemayel, whose authority is currently limited largely to the Beirut area, to send the Lebanese Army and civilian officials into those parts of the country, such as the Chuf mountains, that now are controlled by militias fighting each other and the central government.

At the same time, Mr. Gemayel would make it clear to the other factions that the United States had turned down his request to press Israel for unilateral withdrawals without a simultaneous pullout by Syrian and Palestine Liberation Organization forces.

Mr. Gemayel is expected to argue that the best hope of regaining Lebanese control over southern Lebanon depends on cooperation with Israel.

The sources said that Mr. Reagan had relayed to Mr. Gemayel an offer from Mr. Shamir to begin discreet talks on setting up a Lebanese government civil authority with limited administrative powers in the south. These talks would be conducted by the now-dormant trilateral commissions, involving Israel, Lebanon and the United States, that worked on the Israeli-Lebanese agreement on an Israeli withdrawal reached last May 17.

According to the sources, that effort is unlikely to begin until a clearer idea of whether a viable national government encompassing all the main Lebanese factions is workable.

In short, the aim is a two-stage move that would see the Gemayel government first gaining control over the roughly 40 percent of Lebanon not occupied by foreign forces and then obtaining a foothold in the Israeli-occupied south. If those steps are accomplished, U.S. officials feel, Syria would find it more difficult to justify a large-scale occupation.

The sources acknowledged that implementing the plan is likely to encounter stiff opposition from Syria, which can be expected to use its leverage over the opposition forces it has backed.

However, the sources said that both Mr. Gemayel and the United States have received tentative but encouraging signs from the Druze leader, Walid Jumblatt, and from Shiite leaders that they want to explore ways of ending the bloodshed.

The sources added that even Syria has hinted privately at more flexibility than is evident in the defiant rhetoric coming from Damascus after the U.S. air strikes.



Firemen carried the remains of a victim from the wreckage of an Iberia Boeing 727 Wednesday after the plane was

involved in a collision with another plane during takeoff in thick fog at Madrid's Barajas airport, killing at least 100.

100 Killed As Planes Collide in Madrid Fog

Jet on Takeoff Rams Another Crossing Runway

Compiled by Our Staff From Dispatches

MADRID — Two Spanish jetliners collided in heavy fog Wednesday as they were preparing for takeoff from Madrid's Barajas Airport, killing at least 100 people. The collision involved an Iberia Airlines Boeing 727 on its way to Rome with 84 passengers, including 42 Japanese tourists and 9 crew members, and a DC-9 of Avio, a Spanish domestic airline, with 37 passengers and 5 crew aboard, on its way to Santander in northern Spain. Everyone aboard the Avio plane was killed.

The accident occurred 10 days after a Colombian Boeing 747 crashed near Madrid, killing 181 of the 192 people aboard.

Carlos Espinosa, the president of both state-owned Spanish airlines, said at a news conference at the airport that at least 23 passengers and 8 crew members on the 727 had survived the crash.

The airport had been closed to incoming traffic early Wednesday because of the fog. A number of flights were diverted to other Spanish airports, but some outgoing traffic was permitted to take off. Mr. Espinosa said the airport was open to traffic at the time of the crash and an official weather report put visibility at 300 meters, 100 meters more than required. Mr. Espinosa said the Iberia jet was cleared for takeoff and the Avio plane had been told to start its takeoff approach. One plane then passed in front of the other, leading to the collision.

An hour after the 9:45 A.M. collision, visibility at the airport was reportedly less than 130 feet (40 meters).

The circumstances of the accident were similar to the worst air disaster in history, which also occurred in Spain. On March 27, 1977, 582 people were killed when a KLM 747 crashed on takeoff into a chartered Pan Am 747 at Tenerife in the Canary Islands.

The Iberia pilot, Carlos López Barranco, said that because of the thick fog he did not see the DC-9 in his path "until it was too late." He said he tried to accelerate and lift off to avoid the collision.

A survivor said he felt the plane was already in the air when the crash occurred.

"I was reading," Jesús Villar said. "The plane was already about 10 meters off the ground. There was a hell of a crash. The plane came down, and fire broke out almost immediately."

Antonio Rodrigo, an Iberia baggage handler, said: "We all could find the planes. We ran out toward the noise. A survivor had to lead us to the wrecks."



President Amin Gemayel of Lebanon made a statement on his talks with U.S. leaders in a Washington hotel last Friday. Secretary of State George P. Shultz looked on.

Bad Intelligence Blamed For U.S. Air Raid Losses

By Richard Halloran
New York Times Service

WASHINGTON — A U.S. admiral has said that information about Syrian anti-aircraft batteries in Lebanon was inadequate and that U.S. pilots encountered more intense fire than they expected during Sunday's bombing raid.

The admiral, who declined to be identified, said in a briefing Tuesday that this was among the reasons for the U.S. losses. Two planes were shot down, one of them crashing into a Lebanese home, severely injuring a dozen civilians. A third plane was damaged but made it back to its carrier. One pilot was killed and another captured.

The admiral said the losses were within the bounds of what was militarily acceptable, given the intensity of the hostile fire. About 40 missiles and thousands of anti-aircraft rounds were fired at the 28 planes. The admiral acknowledged that the battleship New Jersey's nine 16-inch guns could have accomplished the mission without exposing pilots and planes. He said he did not know why the New Jersey had not been used.

Senator Gary Hart, Democrat of Colorado, a candidate for his party's 1984 presidential nomination, and Representative Leon E. Panetta, Democrat of California, urged that Congress be recalled to discuss the military actions in Lebanon.

Mr. Panetta said: "This is not the time for Congress to be sitting at home getting the news on televi-

sion. We must not affirm by our silence broader military action than we were willing to authorize by our vote."

The navy, stung by criticism of Sunday's raid, had invited reporters to hear the admiral's explanation. Among the critics were two former Israeli air force commanders.

Italy told the U.S. it will stay in the Lebanon force, Page 5.

ers. Major General Mordechai Hod and Major General Benny Peled. General Hod said that "on the purely military level, the American operation cannot be called a success." General Peled said: "The American pilots paid for a lack of experience."

Another retired Israeli officer, Major General Abraham Adan, said he was not surprised that the Americans had lost two planes. Their naval air equipment is generally good," he said, "but when it comes to tactics and precise planning, they are not as good as us."

In the briefing, the U.S. admiral defended the tactics of the raid as "classic." The A-6 and A-7 planes as "capable," and the pilots as "the best in the world."

He said the 28 planes from the carriers Independence and Kennedy had crossed the coast at 20,000 feet (6,070 meters), descended to 10,000 feet for the bombing run, and dived at a 45-degree angle to release their bombs at 3,000 feet.

The admiral said in response to (Continued on Page 2, Col. 3)

Preliminary Accord Seen on Hong Kong

Reuters

LONDON — The outlines of a possible settlement between Britain and China on the future of Hong Kong are starting to emerge, the British Broadcasting Corporation said Wednesday.

The BBC, reporting on the resumption of talks Wednesday in Beijing, said that under the current scenario Britain would acknowledge China's sovereignty over the whole of Hong Kong while the Chinese would grant the colony special status and leave it unchanged for at least 50 years after 1997.

"Some British advisers and administrators may remain until well into the 21st century, something which Britain has placed high on its list of priorities for Hong Kong," the BBC said.

Officials in the British Foreign Office were not immediately avail-

able for comment. They have never reported much about the talks, insisting that details of the negotiations remain confidential.

Officials have acknowledged they were trying to preserve a role for Britain in the future administration of Hong Kong when most of the colony's territory reverts to China under 19th century leases that expire in 1997.

The BBC said in its report: "Talks have resumed in Peking between China and Britain on the future of Hong Kong. Although the negotiations are cloaked in secrecy, the outlines of a possible settlement are starting to emerge."

"Our Peking correspondent says that under the current scenario Britain will acknowledge China's sovereignty to the whole of Hong Kong while the Chinese will grant it special status and leave it as it is for at least 50 years after 1997."

The talks in Beijing are the seventh round since Prime Minister Margaret Thatcher visited China in September 1982 and agreed to begin negotiations to preserve the stability and prosperity of Hong Kong after 1997.

The talks will continue Thursday, when a joint statement is expected and could give some indication whether progress is being made.

The sixth round last month was officially described as "useful and constructive."

Chinese leaders have recently told visitors they envisage Hong Kong becoming a "special administrative region" of China in 1997.

China Warns on Turnout

China said Wednesday that it might take back Hong Kong before

1997 if turmoil broke out in the colony, Reuters reported from Beijing.

The statement was made by a Foreign Ministry spokesman. The spokesman told a questioner at a news briefing: "If there is some turmoil in Hong Kong, we could consider changing our timetable over recovery of sovereignty."

China has said it will unilaterally announce plans for the territory's future in September unless progress is made in the talks, which began in October 1982.

The former foreign minister, Ji Pengfei, now head of Beijing's Hong Kong and Macao office, was reported last month to have guaranteed that China would let the territory keep its capitalist economic system and its individual freedoms for 50 years after 1997.

Failed Summit Raises Doubts Over EC's World Role

By Axel Krause
International Herald Tribune

PARIS — What role can the European Community now play in world affairs?

That question, among others, was being debated — intently and with some embarrassment — by West European and other allied leaders Wednesday following the failure of the EC to reconcile deep divisions during the three-day summit meeting that ended in Athens on Tuesday.

"We must grasp that a Europe divided and exhausted by renewed nationalism will exert no influence in the world and can become a plaything of foreign interests," Chancellor Helmut Kohl commented to the Parliament in Bonn on Wednesday.

EC leaders, including Mr. Kohl, said they would immediately begin talks to smooth the way for the next summit in Brussels in

March. They seek to resolve such crucial issues as limiting spending on agricultural subsidies.

The implications of the summit failure extend considerably beyond the inability of the 10 leaders to

order to compete more effectively against the United States and Japan in the field of advanced technology, or to improve the workings of the European Monetary System.

The U.S. secretary of state, George P. Shultz, said in Bonn on Wednesday that "the fact that the meeting did not produce results satisfactory to community countries doesn't mean all is lost by any means."

For some, however, the losses appeared high.

The prospects have darkened considerably for Spain and Portugal to become EC members, a subject that summit leaders dealt with in passing only.

"I strongly fear the door does not exist anymore," Prime Minister Mario Soares said in Lisbon.

Meantime, while the Reagan administration was somewhat relieved that the EC was unable to act on proposals to tax or reduce imports into the community of ap-

proximately \$5 billion in U.S. farm products. Discussions of that much-disputed trade issue have only been postponed.

"It is still on the table," a senior U.S. diplomatic official commented. He said that in the wake of the EC summit failure, trans-Atlantic disputes over farm products will surface in passing, if at all, during a meeting between EC Commission and administration officials, including Mr. Shultz, which is scheduled to be held in Brussels Friday afternoon.

"This is not an easy time for us to look as if we are united," an EC official said. "It is painful right now."

The summit failed for a very fundamental reason: None of the participants was willing to make the kind of compromises needed for an agreement.

There was little apparent political will to make sacrifices that (Continued on Page 2, Col. 5)

Nepal's Huge Hydroelectric Potential May Help It Face Crunch in Resources

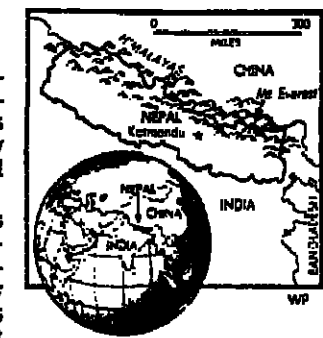
By William K. Stevens
New York Times Service

KATMANDU, Nepal — Scarcely has man's impact on the environment been so starkly evident as in Nepal, land of the stunningly scenic Himalayas and little-tapped hydroelectric riches.

There are growing fears that this small kingdom with its fast-growing population is facing an ecological and human disaster. Virtually all land suitable for cultivation has been taken up, and, with the forest cover reduced in a generation from 60 percent of the landscape to 30 percent, there are many ranges of hills standing denuded and brown.

But in its huge potential hydroelectric power capacity, which is believed to be roughly equal to that of the United States and Canada combined, Nepal has the resources not only to surmount its difficulties but also to become a primary energy producer for much of the steadily industrializing Indian subcontinent. Neither Nepal nor India, however, can harness the Himalayan waters without help.

This subject was likely to come up Wednesday in Washington,



The country's other natural asset besides water — its scenery — has enabled tourism to expand to the point where it has become an indispensable feature of the economy. But this appears to be a fragile prop in a country where 90 percent of the people still engage in traditional subsistence agriculture.

Harka Gurung, a Nepalese geographer and former cabinet minister, said that life in Nepal "is still in an early stage of exploitation, where natural vegetation still provides food, fodder, fuel and even shelter."

The land appears to have been used virtually to the limit. Scores of terraces march up the sides of Nepal's cultivable hillsides; the ridges-tops are also in use.

With people continuing to cut the forests, rich topsoil that should sustain Nepalese crops is washing downstream into the river systems of India, causing devastating floods as the dirt-clogged rivers overflow more easily and more frequently.

The underlying problem, in the view of Mr. Gurung and others, is "not ecological but the low level of economic development." In a do-

(Continued on Page 2, Col. 6)

Twixt Beauty and Business: French Isle Fights to Keep Tides

By John Vinocur
New York Times Service

MONT-SAINT-MICHEL, France — From the shore, this island looks like a dark pupil in the gray eye of the sea. The tides, soft rises, contract toward the center, and then expand, with a rhythm, a pulse that seems without end.

Gray water, beige water, opalescent water, miles of it, closes around the island, its abbey, its spires, and then, in hours, sluices back, draining the bay, filling the sea. The harmonies of movement, color and horizon reach beyond time, but they are jeopardized now.

French engineers say that "man's brutality and chiseling" has resulted in so much silt forming in the bay as to turn the island, its monastery and cathedral into a granite outcropping on a doughy beach by 1991, ruining a site so exquisite that UNESCO classifies it as a treasure of mankind.

The tides, now reaching and surrounding the island less and less frequently, would touch it only 1 time in 10 if nothing were done in the next eight years.

Since midsummer, the French government has moved to deal with what the engineers said was about to become an insoluble problem. They acknowledge that the silting cannot be entirely reversed, but the engineers consider the first steps now under way a good start. Yet these remedies avoid some decisions that would put conservationists into conflict with the tourist business. The island's 114 residents are heavily dependent on the hundreds of thousands of visitors who come each year.

On a recent day a middle-aged woman who sells souvenirs on the island, about 230 miles (372 kilometers) west of Paris, took a visitor to a window facing the mainland and a sandbar near the mouth of the Couesnon River, one of three rivers that no longer flush the bay

effectively. The sandbar had not been there 90 days earlier.

"That developed after they started the project," she said. "It's a catastrophe."

Then the woman talked more quietly, as if she had some sensitive information. Mont-Saint-Michel would never be put right, she confided, unless "they do something about the automobile dike, and there are interests that don't want any part of that."

The dike, or causeway, stretches from the mainland to the island, providing access for cars. It is never fully submerged, even at high tide, and its construction in the 1870s, in the view of Yves Marie Froidevaux,



Automobiles parked on the causeway, built in 1877, that leads from the French mainland to Mont-Saint-Michel.

INSIDE

■ NATO ministers urged the Soviet Union to resume talks with the United States on limiting Euro-missiles. Page 2.

SCIENCE

■ Human genes are being used in experiments to induce growth in animals. Page 8.

BUSINESS/FINANCE

■ Saudi Arabia vowed to fight any effort by OPEC to raise prices or output. Page 13.

A SPECIAL REPORT

■ Demand for OPEC oil has declined sharply in the West, but reduced needs remain permanent? Oil and Energy. Page 10.

مكتبة الامم المتحدة

Don't Recoil From Resile

In 1708, a scientist in Britain's Royal Society used the verb to describe the return of contracted fibers to their original position. That

ry. If they can figure that out at the NSC, maybe we can get the START talks started.

New York Times Service

U.K. Businesswomen Seldom Welcome

Barbara Bondy, a financial analyst sent from New York to Dun & Bradstreet's British subsidiary.



Nevertheless, several dozen women and men interviewed in recent months agreed that British women's prospects at the profes-

"Of the older, well-established clubs, you are talking about 90-

and British women who own and manage relatively large businesses. "The English haven't heard of the word visibility."

Boys Choir Under Attack

eventual homosexuality somehow had something to do with his experiences as a choirboy, although he couldn't specify how.

a Vienna choirboy," said a recent political satire. "But he hasn't yet been a Lipizzaner. That's still to come. He's practicing right now—walking in circles."

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Space Shuttle Test Casts Doubt on Nobel Theory

Experiment on Inner Ear Phenomenon Shakes 77-Year-Old Medical Technique

By John Noble Wilford

HOUSTON — A Nobel Prize-winning theory about the physiology of the inner ear has been shaken in a test conducted by scientists aboard the space shuttle Columbia.

Tuesday's finding was an early product of a mission that is expected to provide significant advances in astronomy, solar physics, atmospheric studies, biology and materials processing. The inner ear study was a sidelight to research into the broader issue of the human body's adaptation to space.

The discovery, which came literally in the flickering of a crew member's eye, was made as the Columbia, carrying the Spacelab research facility, was in its eighth day of flight.

When warm air and then cool air were injected into the ears of Dr. Ulf Merbold, one of the Spacelab crewmen on the Columbia, his eyes invariably flicked in the direction of the source of the changed temperature. They should not have done so in space, if the theory that explains why a standard ear-problem test works is correct.

In announcing the discovery, mission officials also said that they

still planned to let the astronauts and scientists remain in orbit an extra day, with the landing at Edwards Air Force Base in California set for Thursday morning.

The theory that is now being disputed was the basic explanation for the effectiveness of a common clinical test, called the Caloric test, used in diagnosing the dizziness caused by a malfunctioning inner ear.

In the test, a doctor applies warm water to one ear and then cool water to the other ear and observes resulting eye movements that indicate the inner ear's response. Persons with the malfunction tend not to respond.

Dr. Rudolf von Baumgarten, the principal investigator for one of the Spacelab experiments, said that the theory about the response, known as the Barany effect, held that the thermal stimulus created convective currents in the fluid of the inner ear's semicircular canal.

These currents were believed to make the body think it was moving in one direction or another, thus causing the ear's balance-controlling vestibular organs to react accordingly. If they did not, doctors took this as a sign that defects in



Dr. Rudolf von Baumgarten of West Germany speaking about the results of a medical test aboard the space shuttle.

the organs are probably responsible for the bout of dizziness. The theory was correct in that in the weightlessness of space there should be no thermal convection; hence no such convective currents in the semicircular canal.

Robert Barany of Sweden developed the hypothesis in 1906 and was rewarded with the Nobel Prize in medicine and physiology in 1914. The theory had been widely accepted ever since.

Dr. Baumgarten emphasized that his findings did not question the effectiveness of these clinical tests, only the explanation of why they work.

His experiment was one of many being performed on this mission to study the human body's response to weightlessness, particularly problems with motion sickness attributed to temporary disorientation of the balance-keeping mechanisms.

No Halt in START Talks, Adelman Says

By Hedrick Smith

New York Times Service

WASHINGTON — The Reagan administration's top arms control official says that the Russians have given no formal message of plans to break off strategic arms talks in Geneva despite public hints that the talks were in jeopardy.

After Tuesday's negotiating session in Geneva, the Soviet delegate, Viktor P. Karpov, cast some doubt over the future of the talks by saying that he did not know whether the Soviet Union would continue them next year after a scheduled recess. The current round of talks, which began Oct. 8, is scheduled to end Thursday, after one more session Thursday.

Kenneth L. Adelman, director of the Arms Control and Disarmament Agency, said in a telephone interview late Tuesday, "We have no indication they are going to break off" the strategic arms reduction talks, known by their acronym START.

"The Soviets have never threatened in START to break off START," Mr. Adelman added. Earlier this month, the Soviet Union halted talks over European intermediate-range nuclear forces.

Monday, Marshal Nikolai V. Ogarkov, chief of the Soviet general staff, warned of a possible breakdown in the strategic talks.

Reagan administration officials said they interpret the warning as an effort by Moscow to put more pressure on West Europeans to halt the U.S. missile deliveries that began in Europe last month. They say they believe that the Kremlin does not want to end the strategic arms talks but may decline to set a date now for resuming the talks early next year as a pressure tactic.

Mr. Adelman said that over the last two months there had been "some movement" — not as much as would have been "in the strategic arms negotiations. Most of the movement, he said, involved shifts in the U.S. position but some also in the Soviet stance.

He confirmed earlier reports that the United States has put forward a modification of its position that would require each side to retire more older warheads as it deployed newer versions of existing weapons, and advanced another proposal to reduce limits on the planned U.S. bomber force and restrict the numbers of air-launched cruise missiles.

Paris Exchange Mart Bombed

The Associated Press

PARIS — An explosion early Wednesday at the Paris Commodity Exchange blew in a door and started a fire but there were no injuries, the police said.



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they can carry, long a Soviet demand. But he declined to discuss Soviet moves in the talks.

Mr. Adelman sought to deflect West European appeals for the Soviet Union and the United States to combine the suspended European theater talks with the strategic arms sessions. So far, the Soviet Union has shown no public interest in combining the two sets of talks. Although privately some adminis-

Reagan Drops Moderate on Rights Panel

By Sara Fritz

Los Angeles Times Service

WASHINGTON — President Ronald Reagan has angered civil rights leaders by refusing to reappoint Mary Louise Smith, the former chairman of the Republican National Committee, to the newly reorganized Civil Rights Commission.

Mrs. Smith, a moderate who was appointed to the commission by Mr. Reagan in 1982, was not among the three new appointees he named Tuesday. In addition to reappointing two earlier choices, Morris Abram and John Bunzel, Mr. Reagan appointed a Hispanic schoolteacher, Esther Gonzales-Arroyo Buckley, 35, of Laredo, Texas.

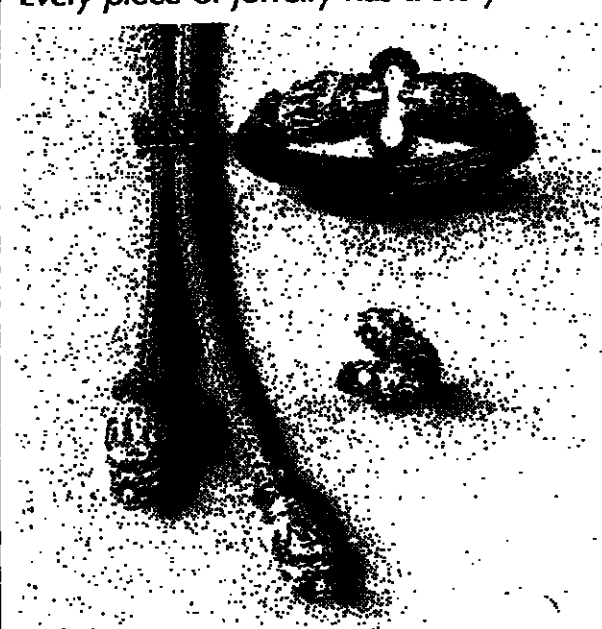
In a letter to Mrs. Smith that was made public at the same time as the appointments, Mr. Reagan praised her earlier work and pledged to "persevere in seeking the preservation and expansion of equal rights under the law for all Americans."

Critics charged that the choice of Mrs. Buckley violated an agreement that Mr. Reagan's aides made with members of Congress. Senator Joseph R. Biden Jr., Democrat of Delaware, said that the White House agreed to rename Mrs. Smith as part of a compromise reached Nov. 11 that led to legislation extending the life of the 26-year-old commission.

Ralph Neas, executive director of the Leadership Conference on Civil Rights, said that Mrs. Smith was not reappointed because "she would not commit herself in advance to voting as the White House demanded." Unlike the president, Mrs. Smith does not oppose busing or racial quotas in hiring under all circumstances.

"The president's decision not to reappoint here goes to the very heart of the independence of the commission," Mr. Neas said. "The White House wants a commission they can control."

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Iranian Embassy Finery Being Auctioned in U.S.

By Peter Perl

Washington Post Service

WASHINGTON — The stunning silk and wool Persian rugs, the Rosenthal china, and the gilded crystal that once dazzled visitors at the Iranian Embassy's lavish parties now await disposal in a converted print shop behind the downtown FBI headquarters here.

These and thousands of other items, including Queen Anne chairs and fine silverware, all bearing the distinctive crest of the late shah of Iran, will be auctioned this weekend as part of a State Department effort to raise money to restore and rent out the abandoned, damaged embassy properties of Iran, Cambodia and Vietnam.

Last weekend a public showing of the Iranian items drew 2,700 people, according to William Weschler, president of Weschler's

auctioneers, which is handling the sale.

"We did not mention the shah's family crest because you may scare up hostile interest," Mr. Weschler said. "We are not pushing this."

The auction is expected to generate more than \$250,000. It will feature rugs valued at close to \$10,000, art objects like a 19th-century Japanese bronze temple urn worth \$4,000 and hundreds of items embossed with the shah's crest, a golden lion holding a dagger with a crown suspended above the lion's head.

An auction of Cambodian possessions at Weschler's grossed about \$60,000 in September. A sale of Vietnamese items will be held in March.

The sales, made possible by the 1982 Foreign Missions Act that gave the State Department custody

over such foreign-owned embassy properties, is part of a sometimes ticklish diplomatic process involving nations with whom the United States has broken relations.

The State Department last summer took over the three embassies, which have fallen into disrepair after years of neglect and damage from broken water pipes.

The 1982 law gave the State Department authority to sell off the properties, but officials chose to rent them, a move that some observers believe will give the government a bargaining chip to negotiate the return of U.S. properties in the three countries.

But in Iran's case, such a strategy is futile, said Farzadi Darui, a member of the Iran Freedom Foundation, a group opposed to the Iranian leader, Ayatollah Ruhollah Khomeini.

Mr. Darui said America's hopes of regaining property in Tehran were useless because while the U.S. acknowledges Iranian ownership of the embassy here Ayatollah Khomeini refuses to recognize U.S. ownership there.

"The Americans are helpless," Mr. Darui said. "They don't know what to do. It is the same as during the hostage situation."

He said he opposed selling the Iranian items at auction.

"It should all be kept in place, so when there is a rightful government chosen by the Iranian people, we would get this stuff back," he said.

The anti-Khomeini Iranian foundation has sought to rent the former embassy but was refused. Mr. Darui said, State Department officials said they have not yet made a policy decision about what kinds of groups will be considered as renters.

"Our hope would be that if relations were restored with these countries, we would have them in reasonable repair" and could eventually return the buildings, said James Nolan, director of the State Department office of foreign missions.

In the meantime, he said, the department hopes that the auctions and the rentals will cover most of the cost of upkeep of the buildings.

The Khomeini government "raised questions" about the State Department plan, Mr. Nolan said. "Our answer is that we believe we are handling them in a much fairer and equitable fashion than U.S. property over there."

Recent reports from Tehran indicate that the U.S. Embassy, where Americans were held hostage from late 1979 to early 1981, is being used as a military school.

Valuable antiques, furniture and other items of historic value will not be auctioned here and are instead being stored at the former embassy, according to department officials.

The embassy was closed when the Carter administration broke diplomatic relations with Iran in April 1980.

Source Reports Shiite Threats in U.S.

By Ronald Kessler

Washington Post Service

WASHINGTON — The threats that prompted extra security precautions at the White House and State Department two weeks ago reportedly came from Shiite Muslims and included an explicit threat against the White House, according to informed sources.

The Manassas, Virginia, police department received the first threat directed at the State Department in the form of an anonymous letter warning that Shiites planned to ram the building with a truck laden with explosives on Thanksgiving Day, Nov. 24, the sources said.

Separately, the Secret Service obtained information, possibly from foreign sources, that the Shiites planned to blow up the White House, according to the sources.

The Secret Service has declined to confirm or deny that there was any threat directed specifically at the White House. Jack Smith, a Secret Service spokesman, reiterated that position Tuesday.

"The only thing we'll say is the barriers are there for security reasons," Mr. Smith said. "We won't discuss intelligence information we have. It's not in our interests to do so."

Neither the extra security at the

State Department nor at the White House had been attributed previously to threats by any particular group or individuals.

U.S. officials believe another Shiite faction was involved in the Oct. 23 bombing of U.S. Marine headquarters in Beirut.

On Saturday, trucks parked at White House entrances to block possible intruders were replaced by three-foot-high (less than one meter high) concrete barriers. Eventually, permanent barriers are to replace all the trucks placed strategically around the White House grounds, the Secret Service said.

About 20 vehicles — most of them empty government vans and automobiles — remain parked outside the State Department.

In addition to these precautions, the Federal Protective Service, which guards most government buildings, issued a "gray alert" after the bombing of the U.S. Capitol on Nov. 7, instructing its personnel to be extra vigilant when checking suspicious packages or people.

214 Reported Executed in Tehran Within Month

The Associated Press

PARIS — An Iranian exile group alleged Wednesday that the regime of the Ayatollah Ruhollah Khomeini has executed at least 214 political prisoners within the last month.

The Paris office of the Mujahideen, an Islamic-Marxist group

fighting to overthrow the Tehran government, said the executions were carried out at Tehran's Evin prison Nov. 9-12 and on Dec. 2.

The Mujahideen said the prisoners were executed by firing squad and their bodies taken to Behesht-Zahra cemetery where they were buried in a mass grave.

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NATO Aides Ask Soviet to Resume Talks

Compiled by Our Staff From Dispatches

BRUSSELS — NATO defense ministers urged the Soviet Union on Wednesday to resume negotiations with the United States on limiting medium-range nuclear missiles in Europe.

In a communiqué at the end of a two-day meeting here, the ministers said that the talks on medium-range missiles should "resume as soon as possible to achieve an agreement on equal global limits on U.S. and Soviet missile warheads at reduced levels, preferably zero for both sides."

The U.S. defense secretary, Caspar W. Weinberger, assured the other ministers that the United States was ready to hold arms control talks with the Soviet Union "at any time anywhere in the world."

But he added that he saw no advantage to merging the strategic arms reduction talks on long-range nuclear missiles with the talks on medium-range missiles. The Russians walked out of the medium-range missile talks Nov. 23 and are expected to indicate Thursday whether they intend to continue in the START negotiations.

The question of merging the two sets of talks arose earlier in the Brussels session, and Joseph Luns, secretary-general of the North Atlantic Treaty Organization, said a consensus arose that a merger "was not a very good idea."

Mr. Weinberger, while arguing

against a merger, added that "we stand ready to negotiate fully at any time in Europe or at any table anywhere in the world that can produce the results set forth" in the ministers' final communiqué.

The ministers also urged alliance members to increase military spending by the agreed target figure of 3 percent a year; most of them are below that level.

And the Dutch defense minister, Job de Ruiter, said that the Netherlands and West Germany were urged by other ministers to try to defuse the influence of peace movements in their countries by making it clear that NATO is itself an alliance for peace.

Before the NATO meeting began Tuesday, the United States and West Germany signed a cooperative accord for the air defense of Central Europe, under which West German armed forces would man conventional missile systems that defend U.S. bases in Germany. Mr. Weinberger said the agreement would reduce NATO's reliance on a nuclear air defense.

The \$3-billion agreement calls for the United States to sell West Germany 12 Patriot anti-aircraft missile units, along with two extra units for training and logistical use. U.S. officials, citing congressional pressure to reduce overseas forces, said the manning of the missile systems with West Germans would reduce U.S. troop strength in Europe by more than 2,000.

"When this agreement is fully in place there will be no NATO nuclear air defense," Mr. Weinberger said, "and that is fully in line with the reduction of nuclear warheads" by NATO.

In Bonn, U.S. Secretary of State George P. Shultz, after conferring with West German leaders, said there was no question of lifting U.S. economic sanctions against Poland despite a recent appeal by Lech Walesa, leader of the banned trade union Solidarity.

Foreign Minister Hans-Dietrich Genscher of West Germany, appearing with Mr. Shultz at a press

conference, said, "It has always been the Western position to answer positive moves by the Polish government with a positive response."

Mr. Shultz, who later left for the NATO meeting, said again that he would be "more than ready" to meet with the Soviet foreign minister, Andrei A. Gromyko, at the 35-nation conference on disarmament in Europe next month in Stockholm if Mr. Gromyko were so inclined.

While in Bonn, Mr. Shultz also met with Chancellor Helmut Kohl, (UPI, Reuters, WP)

Bad Intelligence Blamed For U.S. Losses in Raids

(Continued from Page 1)

questions that "the New Jersey has the capability to attack" targets from 18 to 20 miles (29 to 32 kilometers) at sea. He said a forward air controller or a spotter on the ground could have directed fire.

The admiral said the decision for an air strike had been made by the commander on the scene, Rear Admiral Jerry O. Tuttle, commander of Carrier Group Two in the Mediterranean. Admiral Tuttle is an aviator, according to navy records.

Officials, Analysts Differ

Rick Atkinson of The Washington Post reported from Washington: Pentagon officials have said that Sunday's raid was "very successful and achieved our objectives."

The 28 A-7 Corsairs and A-6E Intruders apparently knocked out an ammunition dump, a radar antenna dish, and a SAM-9 missile battery at three sites, a Defense Department spokesman said.

"Our aircraft covered the assigned targets to the effect that whatever was in each of the areas

received significant damage," he said.

Although the mission was rated a success on the basis of preventing "a repetition of the attacks on our reconnaissance aircraft," no surveillance missions were flown Monday, a navy spokesman acknowledged. Two F-14 pilots reported being fired at Saturday by at least 10 Syrian missiles, the event that triggered Sunday's retaliatory strike by U.S. bombers.

While a navy spokesman said no lessons had been drawn yet from the losses, other defense analysts were less reticent.

"The test that the navy underwent and failed was not by any means demanding," said Edward Luttwak, a senior fellow at Georgetown University's Center for Strategic and International Studies.

He said there was no "complete air defense system in Lebanon," and added: "Imagine how vulnerable the A-6s and A-7s would be if they flew into a real system." He said "they're very slow aircraft, which means they cannot make a quick getaway."

Retired Rear Admiral Mark Hill, now with the Association of Naval Aviation, said: "We haven't been actively engaged in combat and there are probably quite a few pilots in the fleet who don't have experience from Vietnam."

He added: "If anyone says that our pilots are not getting enough time in the air to be proficient, you can lay it right at the feet of the United States Congress."

There was concern that the subsonic A-6E and A-7, with a maximum speed of less than 700 miles (1,100 kilometers) per hour, were at unacceptable risk when flying into a barrage of supersonic surface-to-air missiles. The navy said that at least 40 Soviet-made SAM-7s and SAM-9s were fired at the planes Sunday, in addition to heavy anti-aircraft artillery fire.



Foreign Minister Hans-Dietrich Genscher of West Germany, left, smiles while listening to his U.S. counterpart, George P. Shultz, at a Bonn press conference Wednesday.

Summit Raises Doubts About EC's World Role

(Continued from Page 1)

might have resolved the highly complex issues that are at core of the Common Agricultural Policy — a well-entrenched, bureaucratic system consisting of dairy quotas, subsidies and other financial mechanisms designed to augment incomes of the EC's eight million farmers, accounting for roughly 62 percent of the community's \$24-billion budget, which is growing.

"The greater mentality is undermining Europe," commented the newspaper Frankfurter Allgemeine Zeitung.

In the view of many of those attending the summit, the summit leaders' deliberations appeared to be directed largely at reassuring their constituencies back home, particularly the powerful farm lobbies.

"None of the leaders wanted to appear looking weak in front of the folks back home," a diplomatic observer said.

The prospects for the slowly emerging efforts to restore direction and leadership to the community now rest largely with President François Mitterrand of France, who assumes the rotating EC Council presidency on Jan. 1.

The EC Commission and the European Parliament also have said they planned to play a role in providing what Gaston Thorn, president of the EC Commission, described as "keeping the reins in hand to avoid all skidding" in community affairs.

However, it is not clear how Mr. Mitterrand and other leaders can resolve the EC's problems, particularly the pressing question of finding the means to finance the community budget: within several months EC resources will be exhausted. There was speculation in Athens that the French leader had deliberately blocked agreements in order to resolve the crucial issues at a summit meeting he will host in France next June.

WORLD BRIEFS

Colombian Kidnappers Free Betancur

BOGOTA (AP) — Kidnappers on Wednesday released Jaime Betancur, the brother of Beltrán Betancur, Colombia's president. Mr. Betancur, 53, appeared to be in good health after his 15-day ordeal.

"Honestly, I never thought that they would decide in the end to let me go," he said. Mr. Betancur, who was kidnapped Nov. 22, said he thought he was going to be killed.

A few hours before his release, Colombian reporters were taken by the kidnappers to where Mr. Betancur was being held. Mr. Betancur was released in front of a house in a middle-class neighborhood early Wednesday. The kidnappers took him and one of the reporters there in a taxi.

West Germany Bans Neo-Nazi Party

BONN (AP) — Interior Minister Friedrich Zimmermann banned West Germany's largest neo-Nazi party Wednesday, saying that "right-wing extremist actions can no longer be passively accepted."

The ban against the 270-member "Action Front National Socialist National Activists" would take effect immediately. Mr. Zimmermann said in a statement. The party, which was founded in 1977, last made headlines Nov. 6 when police detained 35 people who had gathered in the back room of a Munich inn.

They were among 85 who had planned to march through Munich's streets to commemorate "Crystal Night," Nov. 9, 1938, when Nazi storm troopers smashed the windows of Jewish homes and shops and set fire to synagogues throughout the country.

Warsaw Pact Ends Meeting in Sofia

VIENNA (Reuters) — Warsaw Pact defense ministers Wednesday ended a three-day session in Sofia where they were believed to have discussed the Soviet bloc's military response to deployment of new U.S. nuclear weapons in Western Europe.

The Czechoslovak press agency CTK reported in a communiqué from Sofia that the meeting concentrated on the joint activities of the armies of the seven-state Warsaw Pact alliance and "adopted appropriate resolutions."

It said that the meeting was "of a working nature and was held in an atmosphere of friendship and mutual understanding." The agency gave no further details.

Managua Accuses Honduras of Attack

MANAGUA — A Nicaraguan fisherman was killed when his vessel was attacked by Honduran boats and planes Monday, the Sandinista government said. It said the attack occurred a day after Honduras and Nicaraguan patrol boats exchanged gunfire in the Gulf of Fonseca.

The government released the text of a protest letter in which it called the incidents "acts of flagrant aggression and violation of national sovereignty." It said they were evidence of "the absolute lack of desire for peace on the part of the government of Honduras."

In a separate statement, the Sandinistas also said they had learned of a covert plan in which anti-government rebels based near the border with Costa Rica were plotting to attack a Costa Rican police station and make their raid appear to be the work of Sandinista troops. The statement said Nicaragua was issuing the warning to "preserve the bonds of friendship and neighborliness which have always united the peoples of Nicaragua and Costa Rica."

Soviet Dissident Receives Swift Trial

MOSCOW (LAT) — Acting with unusual swiftness, the Soviet authorities have detained, tried and convicted a Moscow human rights activist in a single day. Tatyana Trusova, 46, was sentenced to 18 months in a labor camp, dissent sources reported Wednesday.

The sources said they knew of no recent example of such action. They said they feared that it may signal a new method of dealing with political dissenters akin to the assembly-line procedures of Stalinist times.

A philologist who specialized in Russian language and literature, Mrs. Trusova is believed to have been under suspicion of helping channel aid from the West to the families of political prisoners. For more than a year, the KGB, the Soviet secret police and intelligence agency, has sought to close down an underground network distributing aid from a fund supported by the exiled writer, Alexander Solzhenitsyn, who now lives in the United States.

For the Record

A hand grenade thrown at an Israeli Army patrol failed to explode Wednesday in the West Bank town of Nablis. The army imposed a curfew. (AP)

Mont-Saint-Michel Fights To Bring Back the Tides

(Continued from Page 1)

manesque and Gothic churches date from between the 13th and 16th centuries. Pilgrims visited Mont-Saint-Michel throughout the Middle Ages, and their voyages made for magical tales of tides that galloped as fast as horses, and per-

ilous fog banks, mist so thick as to swallow up the tuncations forever. The tides have remained the strongest in continental Europe. Guidebooks that warn about wandering off on the sands at low tide also tell visitors that the trinket salesmen and omelet dispensaries here are no modern deformation; their predecessors were on the island with amulets and sweets during the Hundred Years' War.

When the causeway was built in 1877, the Administration of Fine Arts opposed the project, but it went ahead anyway. Thirty years later, the nation's Public Works Council decided to remove the causeway, but local resistance blocked the plan.

Over the years, a breakwater was built into the bay at Roche-Torin to protect farms, and the Couesnon was dammed to reclaim grazing land. In the language of state functionaries writing an interagency report, the engineers evaluating the condition of Mont-Saint-Michel in 1976 noted that "the site is one where numerous and occasionally contradictory interests run together."

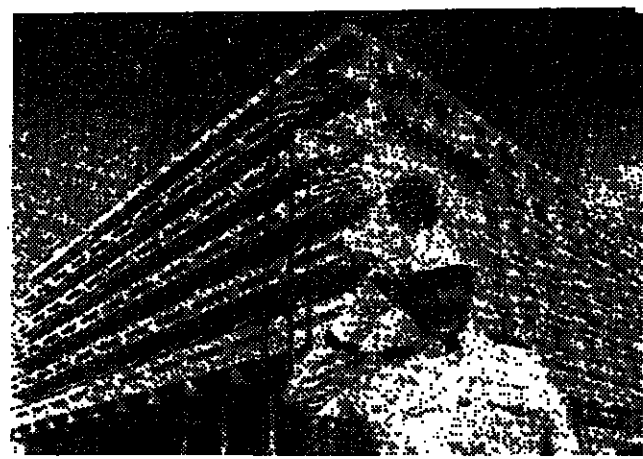
Most of their studies were based on models of Saint-Michel Bay that simulated tides, winds and river action. A tide bringing in 100-million cubic meters of water was found to carry 100 tons of sediment, 2 or 3 percent of which stayed behind.

"The filling-in process, a geological phenomenon, will not be halted by the steps man is considering undertaking today," the study group wrote. "But this consideration should not be an obstacle to a decision to change the course of events for a hundred or so years."

The first project, started in July, involves removing the Roche-Torin breakwater over the next two years at a cost of about \$2 million so that the See and Sélune Rivers can fully wash the bay.

When additional money is found, the mouth of the Couesnon and its dam are to be modified so that the river may exert a stronger flushing action. A third step would involve the construction of two reservoir-like basins that would serve to increase erosion and augment the flow of water. The study group estimated that these projects would allow 6 out of 10 tides to reach the island.

Getting rid of the automobile dike, the engineers have said, would permit 8 tides out of 10 to reach Mont-Saint-Michel. But that, the study group added cautiously, "does not satisfy all the interests involved."



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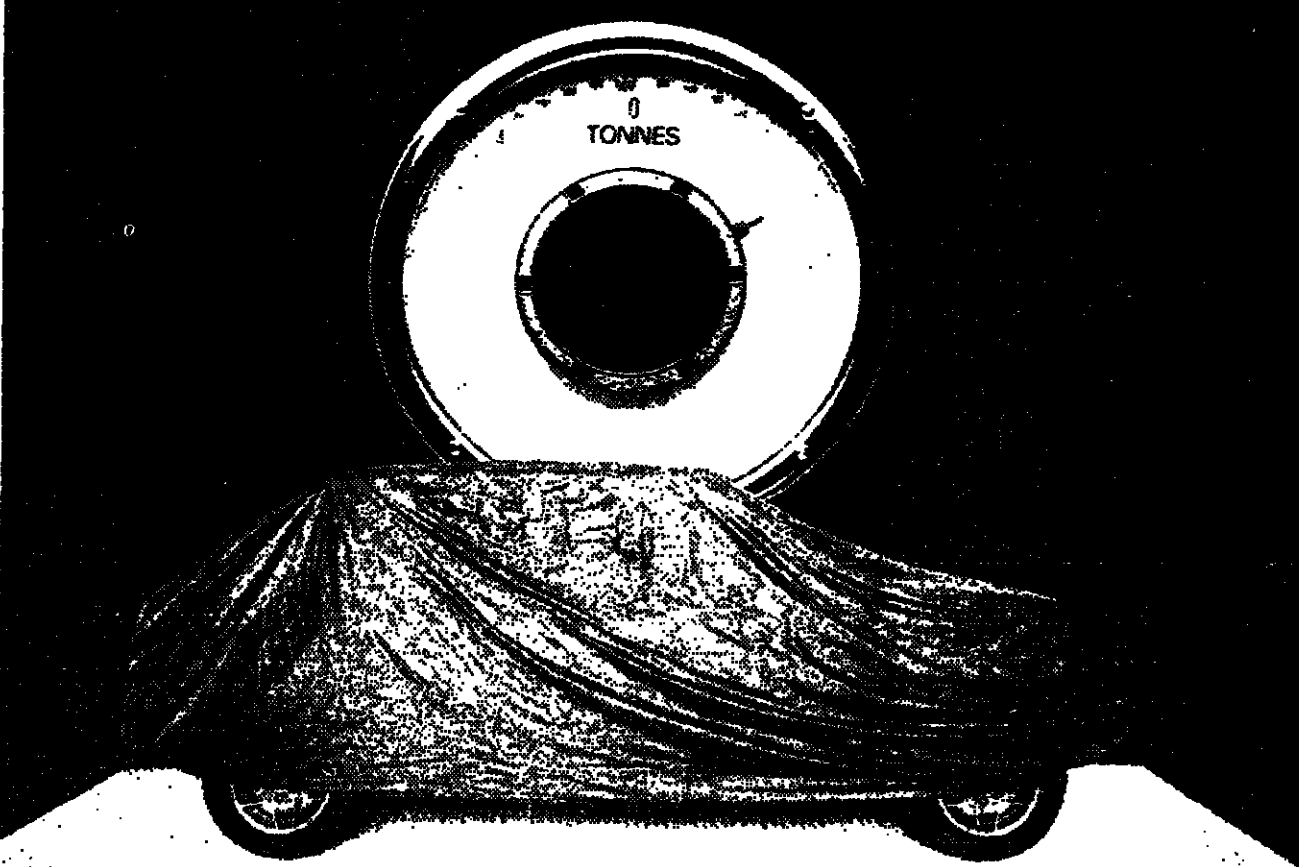
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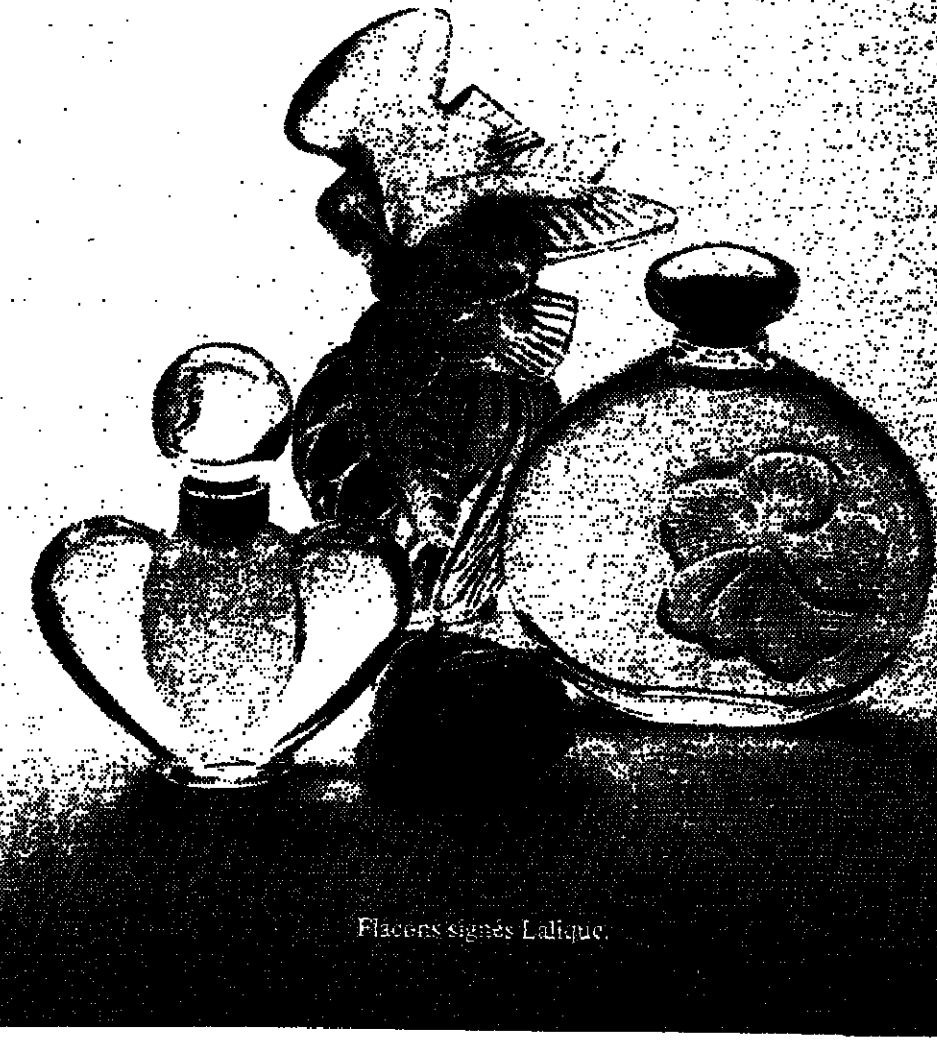
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U.S. Is Reassured by Italy Its Troops Will Stay in 4-Nation Lebanon Force

By Bernard Gwertzman
New York Times Service

BRUSSELS — Foreign Minister Giulio Andreotti of Italy conveyed to U.S. Secretary of State George P. Shultz on Wednesday his government's willingness to remain in the four-nation peacekeeping force in Lebanon.

Mr. Shultz was opening a campaign here to build up allied backing for the new U.S. tactics in Lebanon. U.S. officials said they said that Mr. Shultz would hold a long session Thursday morning with Mr. Andreotti, Sir Geoffrey Howe, the British foreign secretary, and Claude Cheysson, the French minister of external relations, for a thorough review of the Lebanese situation.

But the reaffirmation from Italy that it would keep its contingent of 2,200 men in the force of 6,000, together with positive informal signs of the same intention from the others have been welcomed by Mr. Shultz, an aide said.

Mr. Shultz left Washington on Tuesday aware of southern in some capitals over the U.S. air strikes against Syrian positions in Lebanon. But his aide said that Mr. Shultz was "impressed" by the determination to remain in Lebanon that was shown in Brussels.

He is telling not only the countries with troops in the multinational force, but the other NATO foreign ministers here for the annual winter meeting that the United States is convinced that the best approach to follow in Lebanon is the two-track formula worked out in Washington last week with Israeli and Lebanese leaders, his aide said.

The first approach is to keep up pressure on President Amin Gemayel of Lebanon to take political and military steps that will increase his standing in Lebanon and abroad. These include, they said, widening the base of his government to include Shiite and Druze opposition leaders and the expansion of the area of the country controlled by the Lebanese Army. The second is to maintain firmness in the face of Syrian efforts to intimidate pro-government supporters.

This includes firing back at the Syrians as the United States did Sunday, the aide said. Despite criticism of the United States in some European capitals, American officials insisted that Mr. Shultz has been given backing in Brussels for this approach.

"I think that the situation in Lebanon is one that we certainly intend to push on very hard," Mr. Shultz told reporters on his way to Belgium. "There is the potential for movement on national reconciliation. We in our discussions last week, especially with President Gemayel, identified quite a number of concrete things we think will be helpful, that we want to work with him on and I believe that the attitude of the Israelis is very positive toward trying to see the Lebanon situation come together in a more constructive way."

■ **U.K. Reaffirms Commitment**

In London, Prime Minister Margaret Thatcher reaffirmed Britain's commitment of 100 troops to the Lebanon force, saying Wednesday that her country would not be forced "into leading a retreat."

Mrs. Thatcher spoke in the House of Commons shortly after the U.S. special envoy to the Middle East, Donald H. Rumsfeld, held talks with British officials on Lebanon and then went on to Paris en route to the Middle East.



SICK BAY VISITOR — Commander Edward T. Andrews, a U.S. Navy pilot, chatted Wednesday with Loretta Lynn, the singer, in the sick bay of the carrier USS Independence off Lebanon. Commander Andrews sustained minor injuries when he ejected from his A-7 Corsair in a bombing raid Sunday on Syrian anti-aircraft positions.



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Plan for PLO Pullout From Tripoli in Motion

DAMASCUS — A two-week countdown to the withdrawal of Yasser Arafat and his Palestinian fighters from Tripoli, Lebanon, began Wednesday, former Prime Minister Rashid Karami of Lebanon said.

The withdrawal period was set in a Saudi-Syrian peace package, reached Nov. 25, which is aimed at ending fighting between rebels and fighters loyal to Mr. Arafat, head of the Palestine Liberation Organization.

Final details were left to be worked out by Mr. Karami and a committee of Tripoli's factional leaders.

Mr. Karami said he had notified Mr. Arafat and rebel leaders of final arrangements for the withdrawal "from Tripoli and its environs."

The rebels, who have trapped Mr. Arafat's 4,000 men in Tripoli, have rejected any suggestion that they themselves should leave.

They insist that Tripoli's environs do not include the Palestinian refugee camps that they now control, although one of them is situated on the northeastern edge of the city.

Mr. Karami, who was conferring in the Syrian capital, gave no details of the arrangements for the withdrawal. The Greek government agreed Wednesday to provide four ships to take Mr. Arafat and his men to Tunisia and North Yemen.

In Beirut on Wednesday, the body of Lieutenant Mark A. Lange of the U.S. Navy, the pilot killed Sunday when his plane was shot down in a raid against Syrian positions in Lebanon, was turned over to the Marines.

The Syrian Army, whose rockets shot down Lieutenant Lange's plane, gave the body to the Lebanese Army, which turned it over to the Marines.

Around Beirut, the Lebanese Army and Christian militiamen exchanged rocket and artillery fire with Druze insurgents on Wednesday. President Amin Gemayel of Lebanon said in a statement that he would consider appointing a new coalition cabinet representing the country's warring factions.

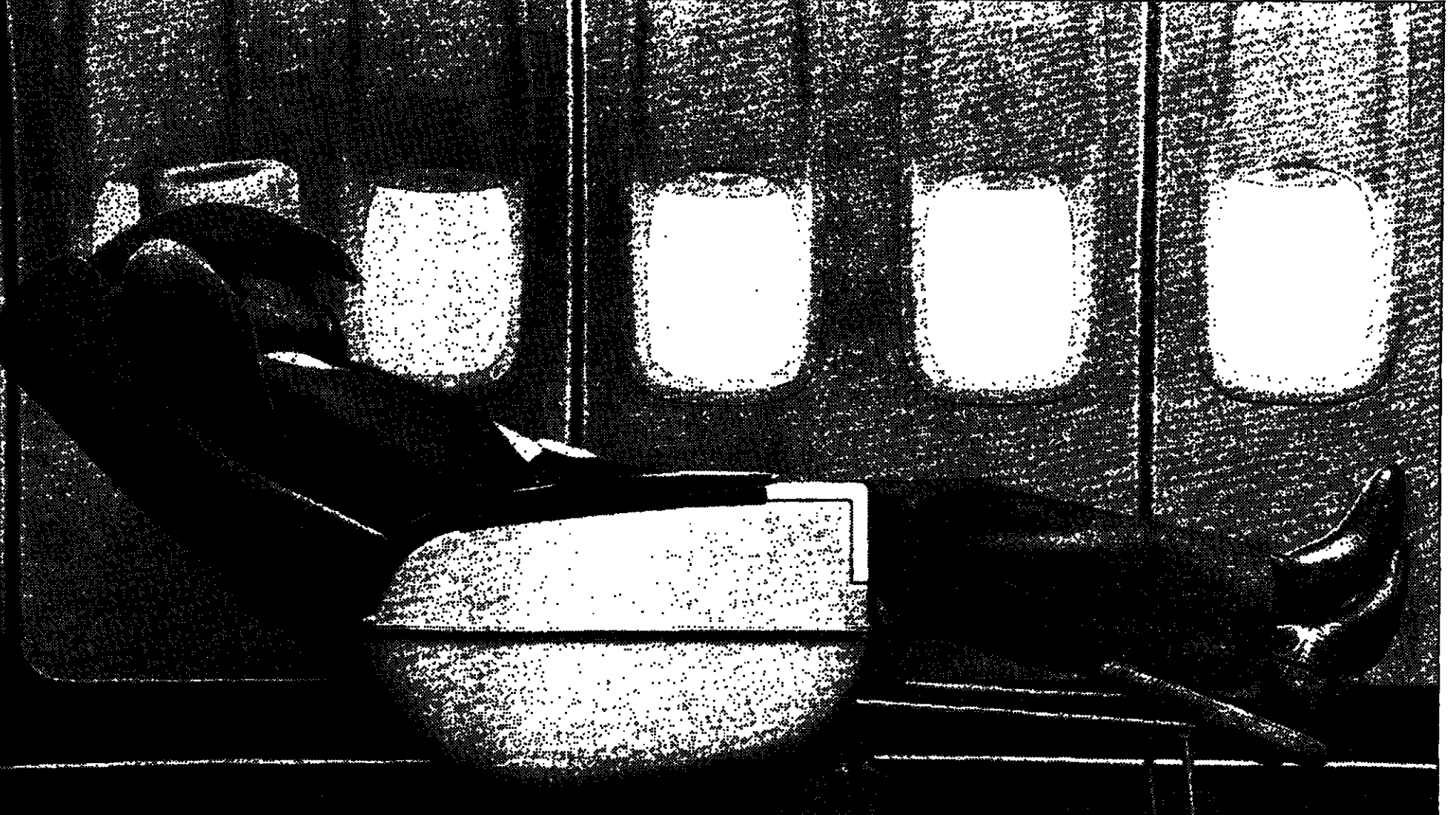
The Lebanese prime minister, Shafiq al-Wazzan, said he would press for a prompt decision by Mr. Gemayel on the resignation of the nine-man cabinet to make way for a coalition government that might end the prolonged sectarian warfare.

In Jerusalem, Prime Minister Yitzhak Shamir of Israel vowed that Israel would strike back at the PLO to avenge Tuesday's bus bombing in which four Israelis were killed and 46 were wounded.

Mr. Shamir told the Knesset, Israel's parliament: "Our hands will reach them and we will strike at them until this horrifying evil will disappear from the land."

The PLO, which contended that the bus was a military vehicle, said Tuesday its attack was "to escalate the actions of the Palestinian revolution against the Israeli occupiers."

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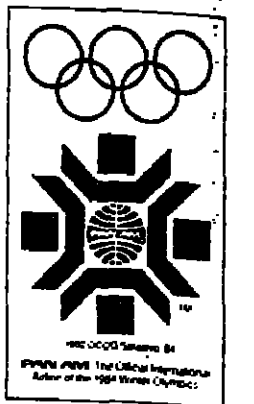
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Solidarity Calls for Demonstrations Despite Government Ban on Protests

By Dan Fisher
Los Angeles Times Service

WARSAW — Underground leaders of the banned Solidarity free trade union have called for nationwide, peaceful demonstrations next week to commemorate workers killed in defense of civic and labor rights.

The appeal, which was distributed to Western reporters Wednesday, comes in the face of tightened official security measures and government warnings that the authorities will tolerate no anti-government gatherings.

It is the first underground call for street demonstrations since August and could turn into a significant test of support for the clandestine opposition leaders. Their call for unspecified protests last month in response to government plans to raise food prices apparently went largely unheeded.

The latest underground appeal said the demonstrations called for Dec. 16 will "show our will to fight on." It added: "We shall march out of our factories and hold parades and meetings in city centers."

The statement was signed by all four members of the so-called temporary coordinating committee of Solidarity, which was formally banned in October 1982. Zbigniew Bujak, a 28-year-old former factory worker and chairman of the under-

ground group, is considered Poland's most wanted man.

Dec. 16 is the anniversary of the 1970 worker protest on the Baltic coast during which dozens of demonstrators were shot to death by police. The date is one of the most emotionally charged in a calendar of anniversaries marked here as touchstones of opposition to Communist rule.

It is also the anniversary of the bloodiest clash after the imposition of martial law in 1981 — a pitched battle between Solidarity supporters and police at the Wujek coal mine in the southern industrial city of Katowice. Official accounts confirm nine dead from that incident, and Solidarity sources contend the toll was higher.

"Polish people have earmarked Dec. 16 as a date to commemorate those who paid the ultimate price of giving their lives for the defense of these rights," the underground statement said.

"The authorities will be to blame if they try to interfere and disturb the peaceful nature of the demonstrations," it added.

The authorities have put security forces on alert this month, fearing that resentment against the planned price increases and a series of sensitive ceremonies and anniversaries during the next several days could cause public unrest.

In addition to Dec. 16, Lech Walesa, head of the banned Solidarity movement, is to be awarded the 1983 Nobel Peace Prize in absentia Saturday. Dec. 13 is the anniversary of the 1981 imposition of martial law, which was formally lifted in July.

The Polish leader, General Wojciech Jaruzelski, ordered "military operations" into the field throughout the country this week, ostensibly to check on the nation's defense readiness. Such groups were first used in the fall of 1981, just weeks before martial law was declared.

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The 'Green Line' corridor in Cyprus divides the island into Greek and Turkish sectors.

Family Life at Edge of No Man's Land

Turkish Cypriots on 'Green Line' Now Inhabit a Border

By Marvinne Howe
New York Times Service

NICOSIA — Until recently, you could hear Turkish Cypriot and Greek Cypriot soldiers shouting jokes and insults at each other across the "Green Line," the corridor that divides the island into their separate zones.

The shouts have died away since the corridor became a border of the newly proclaimed Turkish Republic of Northern Cyprus.

"As long as there's no war, it's very pleasant living here," Bekir Azgin, 39, told visitors to his villa on the Green Line, where there are still visible reminders that this was a war zone in 1974, when Turkish troops invaded Cyprus.

There is still a foxhole in the Azgins' front yard, enclosed by a wall of sandbags and tin barrels. The house has been repainted

white, but bullet holes are still visible. Next door lie the ruins of a burned-out villa.

A house on the other side has been taken over by Turkish Cypriot soldiers. Behind it a macaroni factory, its walls pockmarked, is still functioning.

Since 1977, Mr. Azgin, a journalist, and his wife, Fatma, who owns a pharmacy, have lived here on the western edge of the Turkish side of the capital. They chose the villa because it has a garden and plenty of space for their two young sons.

Across a grassy no man's land in front can be seen Turkish, United Nations and Greek flags, at distances from one another. Visible through palms is the old Ledra Palace Hotel, which for nine years has been the site of UN-sponsored negotiations aimed at finding some way to enable the 500,000 Greek Cypriots and 150,000 Turkish Cypriots to live together in peace.

The Azgins say they hope the talks will be resumed soon. But like all other Turkish Cypriots encountered, they feel the Nov. 15 declaration of independence was necessary to show the world there is a Turkish Cypriot side to the Cyprus problem.

"We're glad we're independent, even if nobody but Turkey recognizes us, and now we have a chance to prove ourselves," Mrs. Azgin said.

She said, however, that there had been times when she was worried that fighting would flare up again along the Green Line. She was afraid for her children's safety the night the Turkish Cypriot leader, Rauf Denktaş, gathered the leaders of the main political parties for dinner and they all approved of the independence action for the next day.

"Bekir laughed at me, but I packed our bags that night and took the children to my family the next day," she said, adding: "Other people were afraid something would happen because they closed the schools for six days. We spent one night out, and there was nothing unusual and so we came back."

She said she was also worried that her children would grow up in an atmosphere of suspicion and hostility.

Her husband said he hoped the Turkish Cypriot declaration of independence would be a positive step toward the creation of a loose federal state between the newly proclaimed republic and the Greek Cypriot Republic of Cyprus until

enough trust could be built up between the two peoples for unification.

Bekir Azgin grew up in a farming village near Nicosia, where Turkish and Greek Cypriots lived side by side.

He said that his mother baked special bread for Muslim holidays and gave it to their Greek friends, who did the same on Greek Orthodox feast days. He remembered Turkish and Greek Cypriot shepherds substituting for each other on their holidays.

Then, in 1955, he said, the Greek nationalist movement EOKA began to form Greek clubs and cafes and paint slogans on the walls: "Down with the English!" "Down with the Turks!"

The Turkish Cypriots retaliated by forming clubs and cafes and soccer teams.

"An unseen curtain had fallen between us," Mr. Azgin said. His family sent him to Ankara University in 1962, and when the violence broke out the next year told him not to come back.

In February 1964, Turkish Cypriots in the Azgin family's home village were attacked, and his parents fled to a nearby Turkish Cypriot village. He said their house was looted and destroyed.

Unable to obtain a scholarship for graduate work in American or British schools, he studied at Moscow's School of Oriental Studies.

He returned with his degree in 1974, shortly before Archbishop Makarios, then president of the Republic of Cyprus, was deposed by a Greek-supported coup.

Mr. Azgin fled with his sisters to a Turkish village. Then followed the Turkish military intervention and the war.

Now he is a regular columnist for a trade union-owned newspaper, *Soz*, and is active in the Social Democratic Party.

Fatma Azgin served in 1976 as a member of the Constituent Assembly for the Turkish Federated State of Cyprus, the autonomous administration that preceded the newly proclaimed republic.

One of the fundamental problems on the island, she said, is what she described as the Greek Cypriots' disregard of their Turkish partners.

"We follow the Greek press, watch their television, read their books, respect their culture and want to know what they're thinking, but they don't know us," she said.

Turkish Chief Asks Ozal to Form Cabinet

Civilian Leader Vows Quick Action

ANKARA — President Kenan Evren named Turgut Ozal as Turkey's prime minister Wednesday and formally asked him to form the nation's first civilian government after more than three years of military rule.

Mr. Ozal's center-right Motherland Party won 211 seats in the 400-seat unicameral Parliament in general elections Nov. 6. Mr. Ozal was the architect of Turkey's 1980 economic recovery program.

Emerging from a one-hour meeting Wednesday with President Evren at Cankaya Palace, Mr. Ozal said he would try to form a cabinet as soon as possible.

At the start of the meeting President Evren made a brief statement to express a wish that "our democracy will not be derailed again."

Mr. Ozal once again thanked the president and Turkey's armed forces for "bringing the country back from the brink of the abyss."

Under Turkey's new constitution, the prime minister proposes candidates for cabinet posts and the president appoints them.

President Evren, a general who led the September 1980 military takeover, was elected president in a national referendum a year ago.

He and the rest of the National Security Council had backed the rightist Nationalist Democracy Party, which placed third in the November elections.

The four other members of the National Security Council, three generals and one admiral, became civilians Tuesday and the council legally ceased to exist.

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Baker Is Said To Aspire to Baseball Post

Top Reagan Aide Seems Unhappy in White House

By Lou Cannon
Washington Post Service

WASHINGTON — The White House chief of staff, James A. Baker 3d, is reported to be one of two persons under consideration to be the U.S. baseball commissioner. Sources close to Mr. Baker said that he would consider the job if it were offered to him.

One source said that Mr. Baker, 53, who is known to be frustrated by the demands and conflicts of his job, would make a decision by the end of this week.

Another source described Mr. Baker as a "burnout case" who has made no secret that he is unhappy in his White House job.

But one of Mr. Baker's Republican friends said that "no matter how frustrated he is, he isn't likely to walk away from the president of the United States for a job in sports."

A few weeks ago, when William P. Clark left his post as national security affairs adviser to become secretary of the interior, Mr. Baker and the deputy chief of staff, Michael K. Deaver, planned together for Mr. Baker to replace Mr. Clark and for Mr. Deaver to succeed Mr. Baker as chief of the White House staff.

That plan was blocked by President Ronald Reagan, who named Robert C. McFarlane as Mr. Clark's successor and left Mr. Baker and Mr. Deaver in the posts they have held throughout the administration.

Milton Richman, the sports editor of United Press International, reported Tuesday night from Nashville, Tennessee, the site of major league baseball's winter meetings, that Mr. Baker and Peter V. Ueberroth, president of the Los Angeles Olympic Organizing Committee, were the finalists to replace Bowie Kuhn as baseball commissioner.

A spokesman for Mr. Baker, responding to queries about the report, issued a statement saying:

"Over the course of the last three years, he's had numerous press inquiries about reports of job changes. He's never commented on any of them. He's not about to change that now."

However, Mr. Baker has often denied such rumors directly, and he was unavailable for comment.

Morale at the White House has been damaged in recent weeks by an intensive investigation of purported disclosures of national security information.



V FOR VICTORY — Foreign Minister Carlos P. Romulo of the Philippines, signals cheerfully from a Manila hospital bed before undergoing dialysis treatment on Wednesday. With the 85-year-old diplomat are his wife, Beth Day, center, and a nurse.

Oxford Causes Stir in British Academia By Acting to End Alleged Entrance Bias

By Simon Cox
Reuters

OXFORD, England — Oxford University, which along with Cambridge is one of Britain's most respected institutions of learning, could shed its image of privilege after a move to change the way it selects undergraduates.

Coming after years of debate, the change will remove an alleged bias toward applicants from Britain's relatively few fee-paying schools and give students from state-run schools a better chance of entering the eight-century-old university.

Renowned for their imposing medieval architecture and the charm of their courtyards and gardens as well as for their intellectual reputations, Oxford and Cambridge have furnished the country with a succession of celebrated public and literary figures.

Among past graduates of the two universities, known together as "Oxbridge," are a host of prime ministers, such as William Gladstone, Harold Macmillan, Edward Heath and Margaret Thatcher, writers like T.S. Eliot, Oscar Wilde and William Wordsworth, and the heir to the throne, Prince Charles.

Although far from all Oxbridge students are members of a privileged social elite — Miss Thatcher and Mr. Heath came from humble

backgrounds — the two universities have tended to convey an impression of being the domain of the wealthy and aristocratic.

Critics of Oxbridge point to the fact that the 7 percent of pupils who go to private schools, known in Britain as "public" schools, provide at present about half the undergraduates at the two universities.

But the lofty halls and peaceful courtyards of Oxford's 28 colleges could begin to see a shift in the university's student body as a result of the change.

Unlike Britain's other universities, Oxford and Cambridge select most of their undergraduates through their own entrance examinations rather than relying on the "A-level" or advanced examinations taken nationally by secondary students at the age of 17 or 18. They say that these examinations are "not a fine enough instrument."

The Oxbridge entrance examinations require an additional term of study after pupils would otherwise have left school. Advocates of reform say these examinations favor applicants from the private schools, since they have the facilities to provide the additional teaching, which state schools are generally unable to offer.

The Oxford colleges last month moved, in theory at least, to change this bias by agreeing that from 1985

all candidates for the entrance exam should take it a year early, while they still had a year left at school.

It is likely that this change will put pressure on Cambridge, which two years ago failed to agree on a proposal to reform its own entry system, to follow suit.

The Cambridge admissions office has said it is conferring with the 24 Cambridge colleges about reopening the issue.

Reaction from schools has been mixed.

Roger Ellis, chairman of the Headmasters' Conference, an association of 240 top "public" schools and headmaster of one of the most famous, Marlborough, said the decision to move up the examination was "disastrous" and "a bad answer academically."

He said that the conference, although conceding the need for change and the fairness to the state schools of Oxford's decision, was "united in its dislike" of the early examination. He said it would be a disadvantage for later developers and those with "stamina," and favor those with "slick" minds.

But John Rae, headmaster of Westminster School, a "public" school in central London, said it was important that "justice is seen to be done" and he welcomed the change.

Ulster Lawmaker, an IRA Opponent, Is Slain Outside Law School in Belfast

The Associated Press

BELFAST — Two IRA gunmen disguised as joggers shot to death a leading Protestant member of the Northern Ireland assembly Wednesday outside the Belfast law school where he taught.

Edgar Graham, 28, chairman of the assembly's Finance Committee and a leading opponent of the Irish Republican Army, had just arrived at Queen's University for a lecture on European Community law when the gunmen opened fire at point-blank range, police said.

Mr. Graham was hit in the head and collapsed in a pool of blood. Witnesses said one of the gunmen continued to fire at him before the two fled on foot. Mr. Graham was pronounced dead at the scene.

The IRA, waging a guerrilla war to end British rule in Northern Ireland, claimed responsibility for the "execution," which brought the death toll in 14 years of Protestant-Roman Catholic violence to 2,338.

An IRA statement sent to news agencies said that Mr. Graham had "rejoiced in the assassinations of republicans, supported the corruption of even British law in the use of show trials and paid perjurers."

Mr. Graham was a leading member of the Official Unionist Party, the province's predominant Protestant party, and a leading opponent of the security policies of the government of Prime Minister Margaret Thatcher, which he said were not tough enough on terrorism.

When gunmen burst into a Protestant church in Dorkley, Northern Ireland, on Nov. 30, and shot to death three church elders, the party announced that its members would boycott the assembly.

The move was a blow to British hopes that the elected assembly, which is only an advisory body, might eventually restore political stability to the embattled province.

The assembly was already boycotted by Catholic parties.

Britain's Northern Ireland secretary, James Prior, expressed outrage at "this cold-blooded murder."

Garrett FitzGerald, prime minister of Ireland, said he heard of the killing with "abhorrence and disgust."

He said those responsible were "enemies of democracy, and of all the people of this island, both north and south."

In the north, Seamus Mallon, deputy leader of the Social Demo-

cratic and Labor Party, the dominant Catholic party, said the killers' aim could only be "to plunge Northern Ireland into outright bloody confrontation."

Protestant politicians were furious and accused London of not doing enough to stop terrorism.

"I myself asked for more protection for Edgar Graham less than three weeks ago," said the Rev.

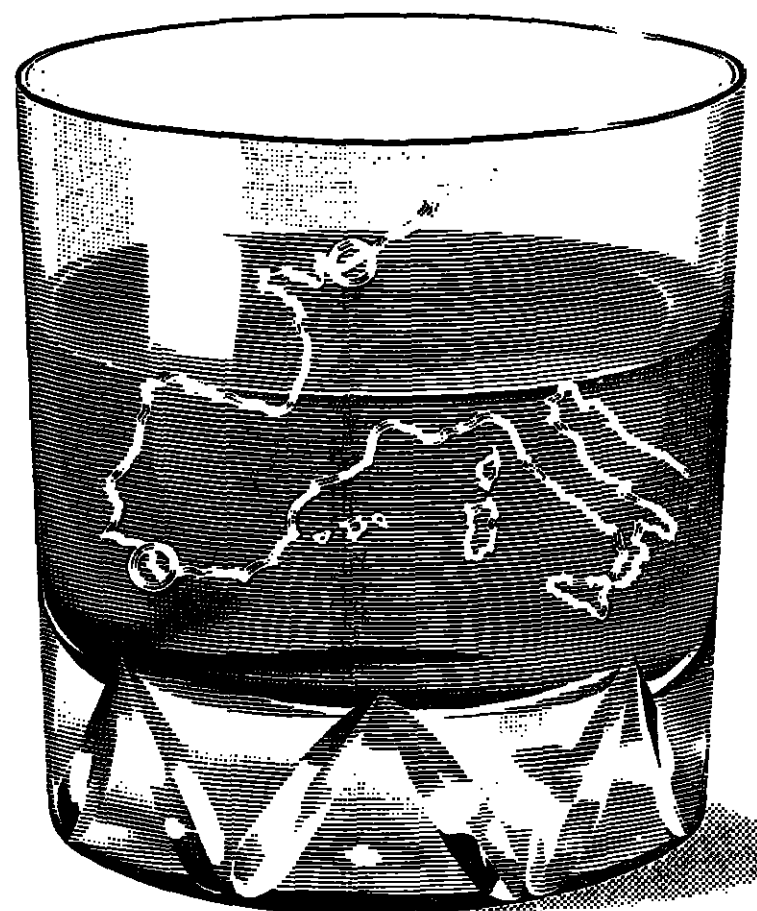
Martin Smyth, a Protestant member of Parliament. "My information has tragically proved correct and I indict the security forces for not giving him that protection."

The shooting was the latest in a spate of sectarian slayings that the police have said began with the shooting of a Catholic, Adrian Carroll, 24, the brother of an alleged nationalist guerrilla, on Nov. 8.



Edgar Graham

From Le Havre To Cadiz.



Johnnie Walker Red Label

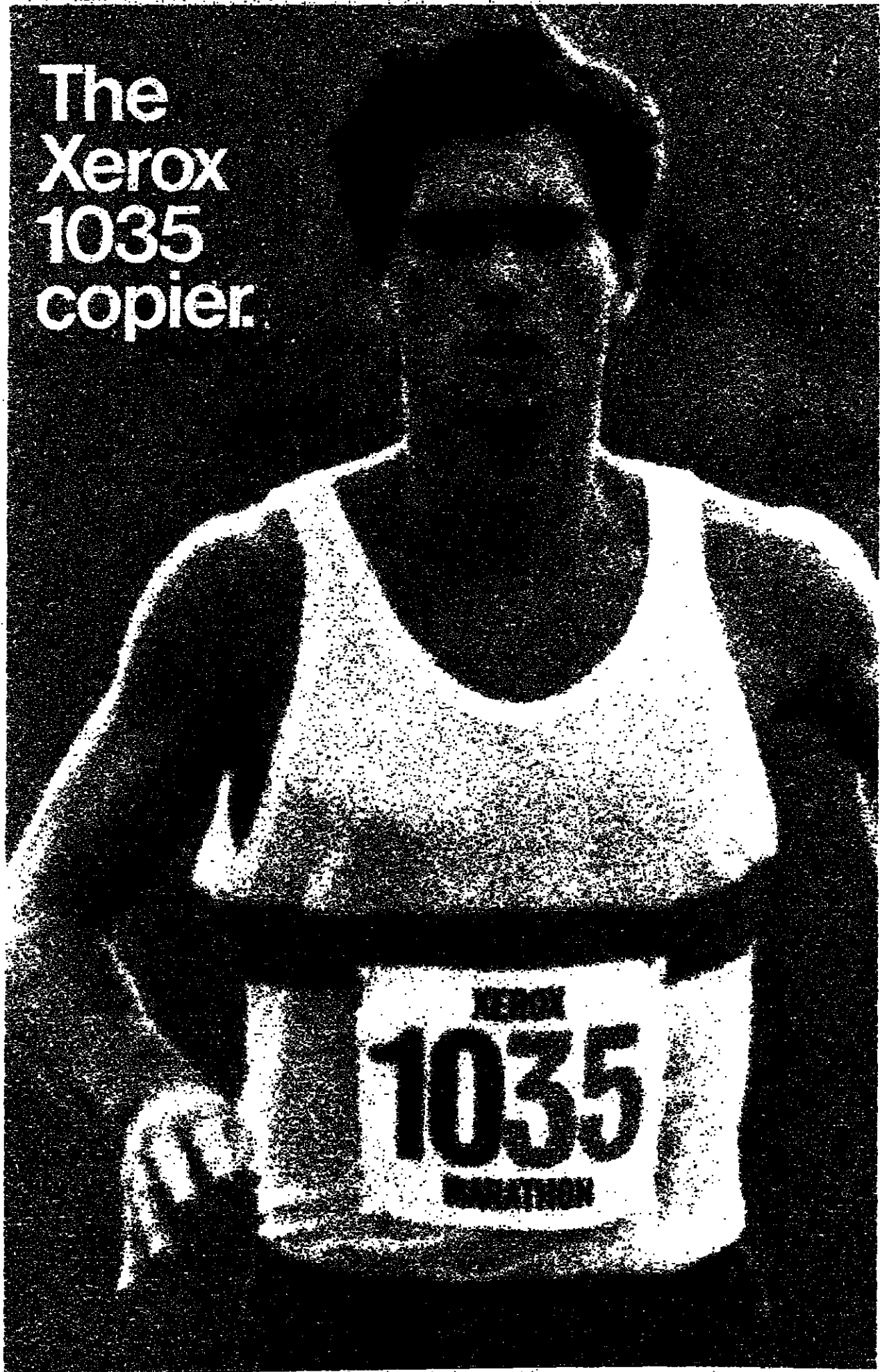
THE CLASSIC SCOTCH WHISKY ANYWHERE.

French Nuclear Test Reported

Reuters

WELLINGTON, New Zealand — France exploded a small nuclear device Saturday at its testing site on Mururoa atoll in the South Pacific, New Zealand government scientists said Wednesday.

The Xerox 1035 copier.

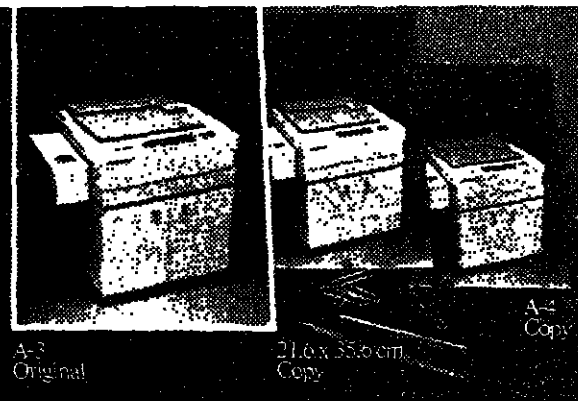
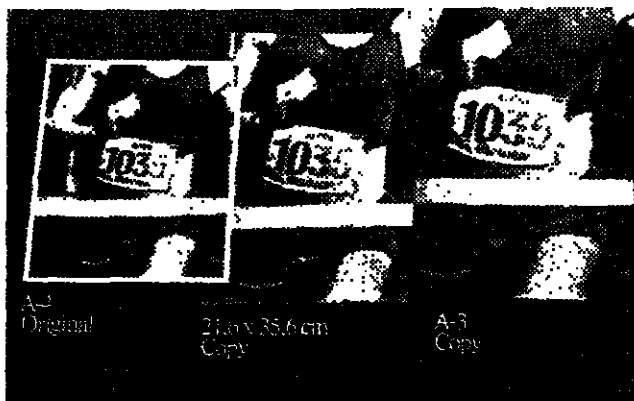


A Marathon that runs uphill and downhill.

RANK XEROX

Recently, Xerox unveiled running machines unlike any the world had ever

show you how to do them. Just press the "Help" button that's linked to a message



seen. The Xerox Marathon copiers. The first of a new generation of copiers designed to withstand the greatest tests of endurance and stamina.

Now, the Xerox 1035 Marathon copier is here.

It's the world's first desktop copier that has four reduction and two enlargement modes. So you can turn an original into just about any size copy you could want. The 1035 will even select

the best reduction or enlargement for your purposes, automatically.

But what makes the Xerox 1035 Marathon outrun every competitor in its class are features you'd expect to find only in a big copier.

For instance, with the help of advanced electronic technology, the Xerox 1035 copier is so intelligent, it can actually "think through" difficult copy jobs and then

display panel, and in plain language the 1035 can take you through what needs to be done.

Advanced electronics also enable the Xerox 1035 to make copies so crisp and clear they're difficult to tell from the original.

And features like five contrast settings for colored or problem originals, job interrupt and two paper trays make it hard to believe that the 1035 is only a desktop copier at a desktop copier price.

But when you see how the Xerox 1035 is as reliable as it is advanced, you'll also see how this Marathon has been designed to run and run and run.

Hour after hour after hour.

The Xerox 1035 Marathon copier. Built with the endurance to win.

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Lebanon: Out by Jan. 1

The 2,000 beleaguered American marines in Lebanon have no military mission. They are passive diplomats in olive drab, flying the flag in a vulnerable encampment. Even if they were reinforced they could not hope to compel an end to Lebanon's civil war, or the withdrawal of 40,000 Syrian troops. So there is no point in talking about the marines in do-or-die battle slogans. They risk their lives and the honor of their country, but they have nothing tangible to win. They are instruments of a negotiation that, if it doesn't fall altogether, can produce no better than a sloppy compromise.

If such use of the marines demands a proud uniform, the mistake will not be undone by inventing a larger mission now. The marines acquired their diplomatic assignment by accident and have made what contribution they can. It is time to pull them out while their losses can be reckoned in hundreds.

The choice requires a cold calculus. One casualty does not justify the next. The life of the next marine has to be reckoned to be as precious as the first.

The fact is that President Reagan sent the troops ashore expecting not to lose a single man. Their first task, to supervise a PLO evacuation, was done in a month, and they withdrew. Then they were sent back in to occupy a buffer zone around Beirut when Washington thought that would help in arranging a coordinated withdrawal of Israeli and Syrian forces while the rival Lebanese factions formed a new coalition government.

But the Syrians stayed to bolster Moslems against Christians, the civil war continued and the Israelis pulled back in frustration. President Reagan countered by trying to bolster the Christian-led "national" army, letting the marines guard the Beirut airport and call for an occasional shot from America's offshore naval

guns. At the same time, he pressed the Christian leaders to strike a deal by yielding more political power to Moslem groups.

That is where matters have stood for six agonizing months. The Lebanese factions have failed to strike a deal, and their civil war flares on; 240 American men were lost in one terrible, deliberate attack, and a dozen more to shells that may or may not have been aimed at them. Why keep them there?

Mr. Reagan implies that they are buying time to keep building the "national" Lebanese army that would help the Christians cut their deal. That failing, he expects the Lebanese army to defend a Christian enclave around Beirut while Moslem groups carve out other autonomous areas. Either way, coalition or carve-up, Syria will still hover over all Lebanon. Mr. Reagan thinks the Syrian occupation can be confined to eastern Lebanon, but that containment will be pursued with American and Israeli air power, not the marines.

This sloppy outcome would preserve the fiction of a sovereign Lebanon and let both Israel and the United States appear to have saved it from conquest by a Soviet ally. In global terms, that may be worth some American lives, but buying more time with more lives will not buy any more prestige.

Nothing America or Israel are willing to risk can alter the balance of forces, push Syria out or reduce its future influence over Lebanon.

Keeping the marines in place can buy only one more thing: time to let the Lebanese decide whether they want a weak coalition governing a large area around Beirut or a bunch of separate, small factional enclaves. They can make that choice in weeks, and Mr. Reagan has nothing to fear from naming the date on which the Marines will leave. Try Jan. 1.

—THE NEW YORK TIMES.

The End of Antitrust?

The staff recommendation, made last week, that the Federal Trade Commission approve a joint venture between General Motors and Toyota has implications that go beyond a single transaction, even one of this magnitude. The two giant companies want to produce some 300,000 subcompact cars a year in an empty GM plant in Fremont, California; GM seeks not only profits but experience in Japanese manufacturing techniques, while Toyota wants more presence in the U.S. market than it has under the current "voluntary" quotas. The scale of this enterprise has aroused protests, notably from Chrysler, which sees two of its larger competitors ganging up against it.

Ten years ago this combination would have been regarded as obviously illegal. Why the change? The answer, we think, is that in two important ways the rules of antitrust law as they had developed were undermined by observation of how the world works.

First, the rules had grown maddeningly imprecise. Some Supreme Court decisions seemed to bar any mergers between competitors or suppliers, no matter how small; and antitrust experts were even spinning theories to prohibit mergers between companies in totally unrelated businesses. So no one could ever say for sure that a particular merger would be judged legal. At the lower levels of the economy, that created uncertainty that

retarded efficient use of resources. At the upper levels, it encouraged endless litigation and the politicization of antitrust law.

The second factor undermining the antitrust laws was their encouragement of a sort of market-sharing. In autos, for example, GM long understood that it would be in trouble if it won more than 56 percent of the market for U.S.-made cars. That is not an incentive to innovation and competition; instead, it encourages sluggish behavior and bureaucratic stasis. Critics of antitrust law argued that it protected competitors rather than competition. But even more, it seemed to enervate some of those otherwise best able to compete.

What is left of antitrust law? Not much more than the ban on price fixing, which the Reagan administration has in fact been vigorously enforcing (and which is the subject of giant private antitrust suits, initiated mostly by skilled lawyers not to serve the public interest but for huge fees). Most mergers and resale price arrangements are not being challenged by the government, and if GM-Toyota goes through, it will seem that joint ventures are generally allowed. The disappearance of much antitrust law has been hurried along by the Reagan administration, but it is a development that already had considerable momentum before Mr. Reagan was elected.

—THE WASHINGTON POST.

Other Opinion

Europe: Not-Yet-Mortal Failure

Is this the beginning of the end for the European Community? Most member countries asserted before [this week's summit] that the Community's very existence would be at stake. The Athens meeting turned out to be an undeniable fiasco. Yet no one is now talking about death throes. On Wednesday the Ten acknowledged their failure calmly.

Several countries, including France, were aware that no amount of crash negotiating would resolve the pending issues; they had decided ahead of time that the summit was a marathon. Perhaps the talks were indeed badly prepared. That lays a heavy responsibility on France, which assumes the presidency of the EC Council on Jan. 1. Will the French manage to do better than Greece — and will they want to? Will they succeed in promoting an economic compromise among the divergent national interests, in the service of a political vision that was wholly lacking in Athens?

Two different explanations can be advanced as to why the current crisis has not broken up the EC: either a certainty that Europe is by now too important a reality to be at the mercy of budget ups-and-downs; or simply the inertia of habit and of the EC bureaucracy. The first few months of 1984 should tell.

The principal casualty in Athens was political cooperation. Financing problems are basic, it is true, but there was nevertheless something

pathetic in the spectacle of ten European heads of state or government squabbling over [budget matters] and completely ignoring the Middle East drama and East-West tension.

This was not yet the summit of last opportunity, but there is no denying that opportunities were missed — yet again.

—Le Monde (Paris).

A New Middle East Situation

The Great Veto [against a Middle East settlement] has been removed. The veto was the fact that the Palestine Liberation Organization could never resolve the argument between those of its leaders who were willing to accept the existence of Israel, and those who wanted to remove Israel from the map. The argument has now been made irrelevant by the splitting of the PLO, a process which the Israelis began when they invaded Lebanon last year and which is this year being concluded by the Syrians. The anti-Israeli intransigence has been collected under Syria's thumb. Most of the possible accepters-of-Israel remain under the wobbly leadership of Yasser Arafat. If Mr. Arafat escapes from the Syrian siege of Tripoli, he will be free to authorize the approach to Israel which his own indecisiveness failed to make the PLO accept last year. If he does not escape, or is sacked as a failure, a more decisive successor will have the same chance.

—The Economist (London).

FROM OUR DEC. 8 PAGES, 75 AND 50 YEARS AGO

1908: Japanese General Is Criticized

TOKYO — It is not possible to obtain any confirmation of the resignation of General Terauchi, the Minister of War, although rumors of disagreement in the Cabinet owing to his arbitrary attitude are rife. His influence has steadily increased in the previous and present Ministries, and he appoints his tools on the General Staff, in the War Department, in Manchuria, Formosa and Korea. Significance is attached to his absence from the weekly Cabinet meetings as an indication of his disapproval of the policy of military retrenchments and postponements. The Diet is expected to demand an explanation of his attitude.

1933: Mills Warns Against Inflation

NEW YORK — In a careful analysis of the monetary condition, Ogden Mills, who succeeded Andrew W. Mellon as secretary of the treasury under President Hoover, has told the Women's National Republican Club that lack of confidence in the present administration's monetary policies constituted a heavy drag on the normal forces of recovery and that the country was applying the brakes to credit expansion, without which no general price increase was possible. He described the present policies as containing the germs of "one of these speculative inflationary movements we have such cause to regret."

Reagan's Dilemma in Lebanon:

The U.S. Effort Needs Help That Israel Is Unlikely to Give

By William Pfaff

PARIS — What is the United States after in the Middle East? The question still does not have a satisfactory answer. Is it to drive the Syrians out of Lebanon and install a government which pleases Washington and Jerusalem? That would seem to be the answer, on the face of it. Yet can this be serious?

One readily sees why such goals could suit Israel. But it has yet to be explained why the political integrity and stability of Lebanon are of more than indirect interest, fundamentally, to the United States, nor why the U.S. government should imagine that it is capable of bestowing integrity and stability upon a Lebanon occupied by two hostile powers and for a decade torn to pieces by powerful forces of its own.

But then such questions are perhaps beside the point. The United States is already in Lebanon and its forces are taking casualties there. President Reagan, as an election year approaches, has an evident interest in withdrawing those U.S. forces. But, since it was he who put them there, they have to come out looking as if they accomplished something. He needs a victory. He sees Syria merely as an agent of the Soviet Union, so the success will have to be at Syria's expense.

Here, I believe, is where Mr. Reagan now stands, without having thought much beyond this. He has an ambition, but not a program.

That would seem to explain his decision to make a new and closer alliance with Israel.

Arabs, Europeans, even some Israelis think the new agreement means a joint military campaign to drive Syria out. I think they are wrong. Israel is not going to send its troops north to take serious casualties as a favor to Mr. Reagan.

Israel is now in its best situation since the invasion of Lebanon. It holds enough of that country, south of the Awali river, to provide a security zone for itself. The Palestinians have been driven out of the south and have been killing one another in the north, under Syria's sponsorship. Having failed, Israel's effort to solve Lebanon's internal problem by means of a client government has been successfully handed on to the United States. Washington has made it an American problem.

Why, then, should the Israelis throw themselves back into a Lebanese quagmire from which they have just so astutely, and narrowly, extricated themselves?

The alliance means something else. In what was said between Ronald Reagan and Prime Minister Yitzhak Shamir in Washington in November there were both glue and gunpowder; yet Mr. Shamir there has his own position unmistakable. While he congratulated Mr. Reagan on his commitment against "totalitarian aggression" in the Middle East, and said that Lebanon can be saved, he also said that Israel owes America nothing as a result of the new agreements on joint consultation, maneuvers, arms aid, etc. He said relations between the two countries are not based on quid pro quo.

Mr. Shamir said there will be absolutely no compromise on the Israel-Lebanon agreement of last May 17 concerning Israeli withdrawal. "Not one word" will be changed.

That means that until Syria retreats from Lebanon, Israel stays.

While Mr. Shamir promised Mr. Reagan to "have another look" at the Reagan peace plan for the Middle East, it was obvious that nothing would change there, either.

So what did Washington get from the alliance? The answer, I think, is reassurance. Jerusalem knows what it wants in the Middle East. The Reagan administration has attitudes, commitments, hopes; it does not have a policy. Mr. Shamir and

his associates are sure of themselves. They inhabit reality. Their lives have been spent in deadly struggle to make and save their nation.

There is not a world that Mr. Reagan and his friends really know. These are sheltered, comfortable people, whose lives have been entertainment, business, the law. They sense this difference. Israel attracts them because it is sure of itself at a time when they are deeply unsure of themselves, and of what to do.

Mr. Shamir says Lebanon can be

free. It can become an island of tranquility. "The influence of the free world in our part of the world" can be enlarged. That is what President Reagan wants to hear. But without action those are only words.

Without action the alliance solves nothing for Mr. Reagan. Israel will act only for self-preservation. Mr. Reagan will eventually find that Israel will not, and cannot, give him what he wants. What will he do then? No one can answer. That itself is reason for apprehension.

International Herald Tribune
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No, the American Purpose Is Clear and Modest

By Philip Geyelin

BEIRUT — You find almost no one in Beirut who sees Lebanon as Ronald Reagan's who-blinks-first test for the free world. Nor is Syria seen as a simple Soviet surrogate. Still less do you find the tireless pretense, so freely contrived by critics of U.S. policy, that there is no policy, that America's purpose has yet to be defined. That is a useful refuge for those who see the U.S. objective but don't like it and have nothing better in mind.

Here, the immediate U.S. role is accepted in the modest way that Ronald Reagan has put it: "To help the Lebanese put their country together, not to do it for them."

Hence the widely shared conviction that the only way out of the military standoff is political, and an equally widely held belief that the only political way out that has any hope of success falls far short of meeting two contradictory demands:

— that the marines and the U.S. naval armada be quickly disengaged from entanglement in what increasing numbers of congressmen and an apparent majority of the U.S. public see as an unmanageable mess; — that the Lebanese be seen to be given an honest opportunity to take hold of their own destiny.

"Our policy here is not to get out as fast as possible with minimum damage — that is not what's driving us," says an American diplomat. His

point is that the United States has made a commitment and a heavy investment in lives in Lebanon. His answer to those in the United States who cannot see why Lebanon matters is that maybe it doesn't, by itself. But making good on U.S. commitments, however carelessly or clumsily entered into, does matter. And making good on this one has a bearing, at the very least, on America's ability to safeguard its interests all across the Middle East.

Thus, and not for the first time, are the demands of diplomacy, reinforced by tempered military force, out of sync with U.S. domestic political imperatives, not to mention those of increasingly twitchy allies in the Multinational Force, most notably the Italians and the French.

The Reagan administration says it is not "prepared to go to war" with Syria. That leaves it to the Lebanese government to send its own signal to Syria by a combination of political reform and a more aggressive effort to demonstrate an ability to expand its authority and uphold its sovereignty.

The Reagan administration wants Amin Gemayel to be more like a president. So, deep down, does he. But as a Maronite Christian (according to the unwritten terms of

the National Pact, by which Lebanon has divided the spoils in its 40 years of political life), he is also an interested party in the necessary process of political reform.

The need is for a return to the principle that enabled Lebanon to flourish (apart from a brief civil war in 1958) up to the much more destructive civil war in 1975-76. Professor Ghassan Salameh, a Greek Catholic who is engaged in an across-the-board search for a "reconciliation" formula, explains: "This country cannot absorb a victory — some can improve, but nobody can win." I suspect that most parties to the internal Lebanese warfare still know this is so — if there is to be a Lebanon with political spoils to share.

The trick will be to mesh the timing of "reconciliation" with negotiations on the withdrawal of foreign forces, while a passive multinational force is depending largely on a reinvigorated Lebanese army to suppress internal conflict and impress the Syrian and Israeli occupiers.

Diplomats and academics can design formulas that might work. But it all comes down to patience and heavy costs — over no one knows how much time. The question is whether American politicians and the American public are prepared to give the time and pay the costs.

The Washington Post.

This Mission Trivializes U.S. Power

By Joseph Kraft

WASHINGTON — America has global responsibilities that require standing up to force. But as part of a peacekeeping presence in Lebanon it invites attack by crazies. Out of that confusion comes the unsought clash with Syria and the latest outburst of fighting.

The lesson is that, after striking back hard, Washington should pull the marines out in the interest of more serious international business.

The balancing role of American power in global politics is a historic reality that must not be obscured by the idiosyncrasies of recent presidents. Western Europe and Japan are democratic and prosperous today thanks largely to protection afforded by America after World War II. Many of the newer nations of Asia and Africa achieved independence in relative peace because of the American shield. Conversely, peace and freedom have suffered when the United States trivialized its responsibilities as a superpower.

Because Presidents Johnson and Nixon tied up American might in a Vietnam, major problems were left unattended in Europe, Southwest Asia and the Middle East. The Russians and their proxies profited.

When Ronald Reagan came to power, the global balance was uncertain. The defense buildup works to restore the symmetry. But that undoubted achievement has been offset by bellicose rhetoric and an uneven performance in the application of force. Moralistic denunciations of "the evil empire" have been combined with loose talk of nuclear war. The military operation against tiny Grenada, while successful, was talked up as a great victory.

Then there has been Lebanon. Major interests are at stake. The Gemayel government, the PLO and the security of Israel's northern border are threatened by the dissident factions in Lebanon. These are manipulated by Syria. The Syrians enjoy the support of both the Soviet Union and the Islamic revolution of Ayatollah Khomeini in Iran.

The United States has two major commitments to fulfill. U.S. power is required to offset the Russians in the whole area. It is also needed to reassure the conservative Arab monarchies and sheikhdoms against the threat posed by Iran. But those responsibilities are best served by standing slightly aloof, on the ready to come in as a balancing factor.

The United States in effect compromised its larger commitments by joining Britain, France and Italy in the peacekeeping force for Lebanon. That force is demoralized, by its presence, to prop up the government of President Gemayel. Inevitably it has drawn fire from the dissidents most immediately at odds with him. But while other parties have known

The killing of marines is a challenge that should not be ducked. There is a strong case for knocking out Syria's anti-aircraft defenses. But whatever the immediate response, the paramount requirement is to move the marines out of Beirut soon. Their continued presence as hostages to the crazies of world politics is fundamentally incompatible with international security.

Los Angeles Times Syndicate.

Canadian Difference: A Departing Correspondent Recapitulates

By Stanley Meisler

PARIS — Canada is different. That is the main lesson this American took away with him after a stay of five years. Yet many Canadians find it difficult to accept. "Name one way in which this country differs from yours," a skeptical Canadian host challenged me on a recent television talk show. "For one thing," I replied, "one quarter of your people speak French."

"Oh, that," he said. "Canadians are still not sure what to make of themselves as a nation, and of their relationship with the United States. Bombarded by U.S. television, addicted to Time magazine and Newsweek, caught in the mythology of American baseball, many Canadians like to feel that they are part of a greater North American culture."

Sometimes cries of nationalism arise to protest against the economic and cultural imperialism of the United States. While these cries do touch a chord, most Canadians seem embarrassed by nationalist fuss. Proximity to the United States has helped boost Canada to one of the world's highest standards of living. But it may have crippled Canada's growth in other ways.

The Canadian film industry is a good example. Several years ago it boomed under a tax write-off that amounted to a government subsidy for Canadian-made movies. The industry had never been any doubt about talent. The roster of Canadian names in Hollywood is long and honored, including Mary Pickford, Raymond Massey, Glenn Ford, Norman Jewison, Christopher Plummer and Donald Sutherland. The subsidy was designed to keep such talent at home in a Canadian industry worthy of pride.

But the enormous U.S. market next door proved to be too tempting. Instead of exploring its national themes in an original way, the Canadian industry tried to produce imitation American movies for Americans. Toronto was disguised as Philadelphia and Montreal as Cleveland in ersatz Americana. Filmmakers took to calling Toronto "Hollywood North" and blew kisses at each other in chic, Los Angeles-like restaurants.

At a time when Australians were delighting the world's film critics with sensitive movies about Australian life and history, the Canadians were turning out mostly garbage, earning a good deal of denigration and very little profit.

Canadians fare much better when

temptation is removed. Television and radio journalists, for example, are forced to concentrate on Canadian news for Canadian audiences and, as a result, perform at an unmatched level. Reporters and anchors display a competence, thoughtfulness and thoroughness that leave their higher-paid U.S. counterparts far behind.

An American has a hard time adjusting to the Canadian political system. It is an odd cliché, after all, that the United States came from the American colonists who rebelled against the English king, while Canada came from the Tories who remained loyal. The role of this history in accounting for the difference is not clear, but there is no doubt that Canadians are a conservative people who accept authority more readily than most Americans do.

Judges slap gag rules on the press with abandon, and ministers hold on to cabinet secrets with incredible tenacity. Canadian journalists accept this, in the view of an American journalist, with appalling meekness.

But an American who senses acceptance and apathy all around is sometimes confused by what seems like a contradictory spirit. Out of frustration, some Canadians make an awful lot of noise when they do want to oppose a government policy. Opponents of the government believe that an enraged public opinion is the only hope of pressuring the prime minister into withdrawing legislation.

Canadians feel that they can either accept government policies or shout against them. They do not seem to feel that they can have a real role in ironing them out.

As a result, parliamentary debate has a shrillness that would shock an American congressman, and the Ottawa press corps boasts a venom that would astound the most cynical Washington correspondent. On a recent radio news show, an analyst predicted that Prime Minister Pierre Elliott Trudeau would seek re-election. "That," the moderator said, "is the worst news I have heard all day."

Americans tend to regard Mr. Trudeau as a leading world statesman, but most Canadians seem tired of him. They have had enough of what they believe is his arrogance and contempt for public opinion. The antipathy is even greater out West; most Westerners look on Mr. Trudeau as a French Quebecer alien to them.

Although an American may feel ill at ease with the Canadian political system, he may also feel wistful about some of its social achievements. Since special interest groups have almost as much trouble as ordinary citizens in trying to influence legislation, the will of the majority cannot be thwarted by campaign contributions. Sensible gun control has not been blocked by a National Rifle Association. Nor has the Canadian Medical Association succeeded in preventing a national program of almost universal government health insurance.

The relationship between the French-speaking minority and the English speakers is still the main internal problem, but one that most English-speaking Canadians like to forget. On the surface, the problem has eased in the last few years.

Quebec separatism is now a dormant issue. The selection of Brian Mulroney, a bilingual Irish-Quebec-

er, as leader of the opposition Progressive Conservative Party earlier this year made it clear that even the most traditional politicians now realize that a potential prime minister of Canada must be able to speak to his people in both official languages.

Yet there are dangerous signs that the issue is still festering. Now and then it flares up in irrational ways. The rage throughout much of English-speaking Canada over the adoption of the metric system, for example, comes largely out of the foolish notion that a French-speaking prime minister is trying to ram through a French-invented system.

There is still no true understanding among English Canadians of the frustrations and rights of French Canadians. It is astounding, in fact, how English Canadians often fret over Canada's identity as a nation, while at the same time rejecting the single most exotic feature that distinguishes

Canada from most other countries.

It is always hard to generalize about a people. This is the more difficult in Canada because of two different language groups. French Quebecers, for example, are a warmer and more volatile people than the conservative English Ontarians. Yet there is little doubt that most Canadians, from both language groups, are marked by civility, generosity, a disdain for flashiness and a penchant for putting themselves down.

The last quality often takes the form of a foolish, unfunny, self-deprecating joke, but it can be handled with wit as well. With tongue in cheek, I remarked to a Canadian immigration officer recently that my impending transfer from Toronto to Paris was a demotion. "Be careful," he said. "It is a criminal offense to lie to an immigration officer."

The writer, until recently the Los Angeles Times correspondent in Toronto, has been reassigned to Paris.

LETTERS TO THE EDITOR

The IAEA and Argentina

On Dec. 2 the International Herald Tribune carried an editorial from The Washington Post, under the heading "Alfonso and the Bomb," which contains some misunderstandings concerning the purpose of my recent visit to Argentina and some important factual errors.

I am said to have been in Buenos Aires "to try to persuade the new government to come into the IAEA system of safeguards," and I am said to have talked with both the president-elect, Raul Alfonsín, and his designated secretary of energy, Conrado Storani, "without success."

The editorial states that I was told by Mr. Alfonsín and Mr. Storani that Argentina would refuse to sign the Nuclear Nonproliferation Treaty and the Treaty of Tlatelolco.

The facts are as follows. The International Atomic Energy Agency already has several safeguards agreements with Argentina and performs safeguards verification under them. All nuclear installations in Argentina are not, however, under IAEA safeguards, as they would be if there were a safeguards agreement under the Tlatelolco treaty. Thus, the facility for enrichment of uranium in

Filcaniye, which was announced just before my arrival in Argentina and which I visited at the invitation of the Argentine national commission for nuclear energy, is not under safeguards verification.

Argentina has signed the Tlatelolco treaty, but has not ratified it. The IAEA has for several years had discussions with Argentina about comprehensively safeguarding the Argentinean nuclear program under the Tlatelolco treaty. These discussions have been very active in the last nine months and I naturally expressed the hope to the president-elect that they would be continued with the new government.

I explained how safeguards are applied on the basis of agreements freely entered into by sovereign governments, and how they are designed to create confidence in the exclusively peaceful aims of nuclear programs.

During my talk with Mr. Alfonsín, the designated foreign minister, Dante Caputo, and the designated minister for public works, Roque Carranza, were present. Mr. Storani, designated secretary of energy, was not present at the conversation.

Neither the president-elect nor any one of the two designated ministers present told me that Argentina would

not ratify the Tlatelolco treaty. My impression was rather that the new government, naturally, needed first of all some time to fully examine the nuclear program that it is taking over and its international environment.

HANS BLIX, Director General, IAEA, Vienna.

Portugal: A Surprise Tax

I am an American traveler who arrived in Portugal on Nov. 9, when my passport was stamped and I was allowed to enter. I was not informed, verbally or in writing that upon leaving I would be required to pay a departure tax of 1,000 escudos.

This tax, I learn, is required of foreigners leaving Portugal. I find this to be irresponsible and unjust. One thousand escudos is a relatively small amount of money — less than \$8 — but if the government can implement this taxation without notification, there is nothing to prevent it from increasing the tax, without prior notice, to 10,000 or 20,000 escudos. In a way I feel like a financial hostage. People who are planning on traveling to Portugal should be made aware of this tax.

RICHARD L. PEAVEY, Coimbra, Portugal.

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OIL AND ENERGY

A SPECIAL REPORT

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Nuclear Energy: Dynamic Growth

By Thomas R. Stauffer

VIENNA — Nuclear energy today is the most dynamic energy sector in the industrial world and the most potent competition to high-cost oil. In spite of persistently negative publicity and prominent vocal opposition, nuclear power is the most rapidly growing source of new energy for Europe and Japan. For the Soviet bloc, too, nuclear energy is a strategic source of both energy and scarce foreign exchange and critical to its economic policy.

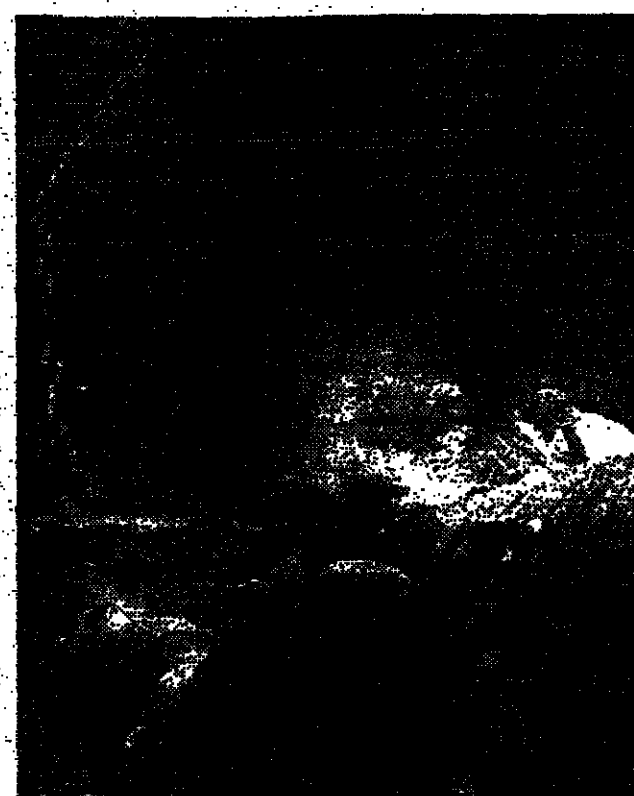
Worldwide nuclear electricity production has increased steadily at 20 percent per annum since the oil price shock in 1973, faster than any other energy source and much faster than energy demand growth.

The impact of nuclear power upon OPEC has been striking. New nuclear stations built between 1972 and 1982 have eliminated 3.5 million barrels a day from the demand for OPEC oil, constituting one-fourth of the total reduction in OPEC oil production. Global production of nuclear power by early 1984 will surpass 1 trillion kilowatt-hours a year, the equivalent of 4.5 million barrels a day of oil.

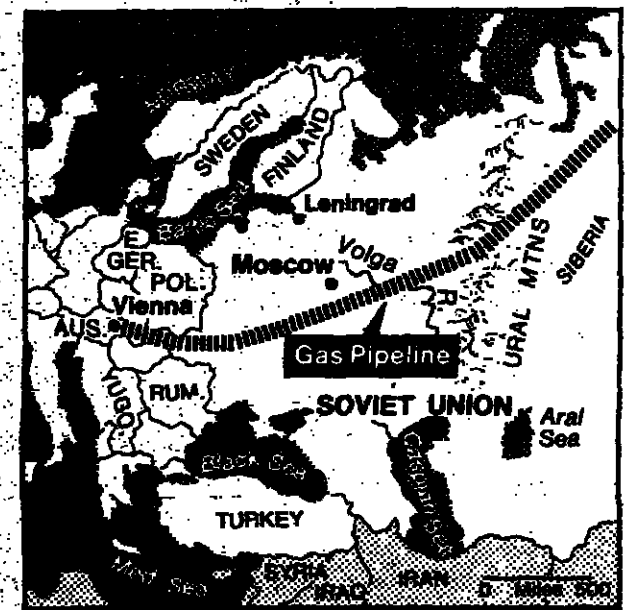
The extravagant forecasts for nuclear power made earlier — the promises of electricity "too cheap to meter" — have been discarded, and projections of installed capacity have been cut almost in half. However, this remarkable momentum is expected to continue at least through this decade. The International Atomic Energy Agency in Vienna, based upon construction schedules of plants already under construction, expects that by 1990 nuclear power production will double again, reaching more than 10 million barrels a day of oil equivalent energy, the global counterpart

(Continued on Following Page)

Thomas R. Stauffer is an energy specialist who is currently a visiting professor at the Diplomatic Academy in Vienna.



EUROPEAN ALTERNATIVE — In the Soviet Union, above, work progresses on the 3,000-mile pipeline (map below) to deliver natural gas to Western Europe. Meanwhile, Western governments proceed with expansion of nuclear energy despite protest and controversy; at right, the nuclear power plant at Dampierre, France.



Decline in Oil Demand: Have Consumer Nations Permanently Cut Needs?

By Daniel Yergin

CAMBRIDGE, Mass. — The most important question on the energy scene today is what will happen to demand. The entire oil industry has been traumatized by the fall in oil consumption. Between 1973 and 1982, the industrial world grew by 20 percent. During the same period, its demand for energy fell by 2 percent — and demand for oil dropped by 12 percent. The change has been even more dramatic since the second oil shock. Between 1979 and 1982, the industrial world demand for oil declined by 6.5 million barrels a day — a 17-percent drop.

In these circumstances, the traditional ways of trying to figure out the future just do not work anymore. "We took projections for economic growth, and multiplied by 1.2, and that is how we knew what demand for oil would be," is the way a senior executive of one major oil company recently — and somewhat nostalgically — explained how he and his colleagues used to project demand.

The unexpected change is forcing a process of reconsideration in the industry no less momentous than after 1973, as top management and planners today try to understand what kind of business they will be in a decade from now. But no group has experienced the decline more sharply than the OPEC countries, whose production has fallen by 40 percent since 1979. As a director of one OPEC national oil company almost plaintively commented, "Never have so many forecasters had to change their forecasts so often."

The last few months, however, have given the first sign of some recovery. Demand for oil is rising, although at a very modest rate. This has been driven primarily by something of a rebound in the United States (where oil imports rose by about 13 percent in September and October from last year — but dipped in November).

But the rebound is small — we in Cambridge estimate a 2-percent increase in world demand — while the surplus is still very large. The consequence will be renewed downward pressure on oil prices this winter, setting the stage for the third episode of the now-familiar soap opera, "Will OPEC Survive?"

Underlying this coming winter's drama will be the key question whether demand for oil will increase in any significant way, or whether it will be more or less flat, even with economic recovery. Decisions about investment, marketing and redeployment of assets — as well as major political issues — all hinge on what happens to demand for the next few years.

The decline in demand for oil is the result of conservation, fuel switching and recession. On that, there is general agreement — but only on that. For it has been very hard in the midst of a deep world recession (which really should be called a depression) to separate out the factors.

The only way to do it is on a sector-by-sector basis. A substantial part of the decline is the result of permanent structural changes. One of the most important has been the replacement of oil in utilities by other forms of generation — mainly coal and nuclear. This has been taking place throughout the industrial world.

Another is the change in the U.S. automobile fleet. This is very significant, since one out of every eight barrels of oil used in the free world every day is burned as gasoline on the American highway. A great deal of further conservation — as every new car buyer in the United States should know — is built into the system by the technological changes in automobiles that result in higher fuel efficiency. Economic recovery will actually accelerate the turn to more fuel-efficient vehicles.

But demand will also be affected by behavior and expectations for prices and supplies. For instance, the number of miles driven by the average American car fell 5 percent between 1978 and 1979 — in the face of gas lines and price increases. It fell by another 5 percent by 1981.

That could easily rebound with economic recovery, rising incomes, and expectations of flat oil prices. Shifts in expectations will also reduce the eagerness of industrial managers to shift from oil to other fuels.

Finally, of course, the recession has hit particularly hard at the energy-intensive industries. Further depressing demand. When all the factors are added together, we would expect a mild rebound demand for oil as the industrial world comes out of the recession. A particularly important factor will be the timing and extent of depressed Europe's recovery. After this rebound, demand will flatten, as structural changes, already in the pipeline make their influence felt.

A key uncertainty for later in the 1980s is whether the U.S. auto fleet goes beyond the 27.5-miles-per-gallon fuel efficiency now mandated by law.

But, from the viewpoint of overall world demand for oil, there is one other most important factor. The international debt crisis is pushing the developing world into austerity.

If and when that problem is overcome, economic growth will resume in the developing world, and we would then expect to see a continuing and rather exuberant increase in demand for oil coming from those nations.

Daniel Yergin is the author of "Global Insecurity: A Strategy for Energy and Economic Renewal," sponsored by the Atlantic Institute for International Affairs, and co-author of "Energy Future: Report of the Energy Project at the Harvard Business School." He is president of Cambridge Energy Research Associates and is a lecturer at Harvard University.

Despite War, U.S. Discounts Threats to Block Gulf Shipping

By John M. Berry

WASHINGTON — Most U.S. government officials, oil industry executives and oil market participants believe any major lengthy disruption of oil shipments from the Gulf is highly unlikely, even though the Iran-Iraq war continues.

Officials at the State, Treasury and Energy departments have taken long, detailed looks at the situation and concluded that Iranian threats to close the Strait of Hormuz, through which about 94 million barrels of oil flow daily, cannot be carried out.

This assessment is also shared by Sheikh Ahmed Zaki Yamani, the Saudi Arabian oil minister, and Sheikh Ali Khalifa al-Sabah, his Kuwaiti counterpart, Reagan administration officials said.

For one thing, any Iranian action to halt the 18 tankers that use the 45-kilometer (27.9-mile) wide passage each day would cut off its own exports of about 2 million barrels a day. Since the United States could be expected to respond militarily to keep the international waters of the strait open, Iran would run the risk of having its exports stopped even after the passage was reopened to other vessels, U.S. officials said.

Similarly, attempts at sabotage or commando raids on the oil fields, pipelines or shipping terminals of Kuwait, Saudi Arabia, Qatar or the United Arab Emirates would be unlikely to cause a major disruption, the officials said.

Just as the Iranian navy with its handful of destroyers and escorts could do little in the strait, the kind of massive, coordinated attack on the oil facilities themselves is thought to be beyond the capabilities of the Iranians. That does not mean that some facilities could not be destroyed. However, enough of them could be destroyed to make a major difference in world oil markets.

"The probability of more than a very short disruption is very low," said one administration official who took part in the assessment.

An executive with a major U.S. oil company with interests in the Gulf shares that view. "I have a hard time believing that Iran could shut down the strait. It would take a great deal of force and expertise and I don't think they could muster either," he said.

Behind all of the sanguine estimates, of course, lies the current oil surplus. In early 1979, a sharp drop in Iranian oil production and a reduction of 1 million

barrels a day in Saudi Arabian output was enough to send world oil prices soaring.

Now oil markets are taking the Iraq-Iran conflict in stride, and Iraqi threats to halt Iranian exports by attacking the Kharg Island shipping point with newly acquired French Exocet missiles causes hardly a quiver in prices. Saudi Arabia, with exports running at about 5 million barrels a day, could alone more than make up for any loss of Iranian exports.

Moreover, both U.S. government and oil industry executives believe there is 3 million barrels a day or more of spare production capacity outside the Gulf area in Nigeria, Libya, Indonesia, Mexico and elsewhere. While Libya might or might not choose to raise production, depending on the cause of any disruption in the Gulf area, officials think the other nations would jump at the chance.

Aside from the cushion of unused capacity, the surplus also provides a certain measure of protection against a successful attack on the Gulf's oil facilities. For example, with exports of 5 million barrels a day, there is an enormous amount of redundancy in Saudi oil facilities. Even if half of them were knocked out in

a raid, a large quantity of oil could still be moved, an administration official said.

Also, the Iranians must realize that fact, the official added. After all, that is one reason they have been able to continue to use Kharg Island despite Iraqi attacks. More than 5 million barrels a day moved through Kharg Island before the Iranian revolution. Moving 2 million now does not require that the terminal be in perfect shape.

Administration officials are confident, too, that attacks on a few tankers would not discourage shipping to the point that the strait would effectively be closed. They note that marine insurance on hulls and cargoes remains available for the war zone in the Gulf today, and that during the height of the Vietnam war it was available for ships heading up the Mekong River to Saigon. Now, as then, the officials think ships and crews would be available.

Both the failure of insurance rates for the Gulf to increase substantially and the lack of any big jump in oil futures contracts or spot market prices testify to the way in which the markets assess the risks in the Gulf.

Finally, from a U.S. point of view, even closing the

(Continued on Following Page)

U.S. Price Deregulation: Waiting for Shakeout in Natural Gas

WASHINGTON — The three-decade long attempt to control the prices of oil and natural gas in the United States is gradually coming to an end.

Price controls on oil disappeared a bit at a time between 1979 and 1981. President Ronald Reagan regularly takes credit for ending them, though the process was nearly completed during the Carter administration.

Similarly, under legislation passed in 1978, price controls for natural gas have been dropped on a substantial portion of current production. If the present law is not changed, a total of about 60 percent of production will be free of controls at the end of next year.

The end of crude-oil price controls severely hurt many small independent oil refiners in the United States, many of whom had built new refineries specifically to take advantage of the favored treatment accorded them under the price regulations.

Larger oil companies applauded the end of controls, though the abrupt shift from a shortage to an oversupply of oil on world markets has squeezed their profits in the last two years. The refiner acquisition cost of crude, both imported and domestic, has fallen from \$34.86 for a 42-gallon barrel in January 1981, when Mr. Reagan removed controls, to \$28.97 last September.

Consumers are probably most conscious of the fact that the average price of gasoline has dropped. In October, the average for all types of gasoline sold both in self-service and full-service stations was \$1.24 a gallon, compared to \$1.27 in January 1981.

The drop in gasoline prices actually has been considerably greater than that since those average prices include all taxes. Federal fuel taxes have gone up 5 cents a gallon since the beginning of 1981 and many states have increased their tax as well.

Meanwhile, as a result of both conservation efforts spurred by the earlier price increases and the deep

recession, oil consumption also fell. Only in recent months has it climbed back to its 1981 levels of around 13.5 million barrels a day for this time of year.

Most energy economists believe that the wrenching changes that have hit the oil industry in the last two years would have been exacerbated had controls and some of the related distortions, such as the favoritism for small refiners, still been in effect.

A significant number of the small refiners have either gone bankrupt or shut down parts of their operations. Drilling companies and suppliers of oil-field equipment have gone under in droves. At least three large banks have failed because of bad energy loans, and others have seen their profits cut to the bone.

But through it all, no one could go running to Washington for help, since with controls gone there was neither a mechanism nor the will to provide it. The oil industry had been pleading for years to be free of controls. The irony was that they got their freedom precisely at the point the market turned sour.

The political battle over controls in natural gas is still being waged and the final outcome is hard to predict. Divisions within the natural-gas industry and among the industry and consumer groups are so great that it may be impossible for any new gas legislation to pass.

In that case, at the end of next year all controls will be lifted on the price of gas flowing from wells drilled since the beginning of 1977. Controls on the remainder, so-called old gas, will continue until the wells are depleted, though with allowable prices rising regularly in line with inflation.

The Reagan administration has proposed ending those controls as well at the end of 1984 — 30 years after they began. When Congress adjourned for the year last month, the full Senate was considering a version of that legislation but it appeared that no

majority could be mustered for any comprehensive bill. A House committee was in the midst of a similar struggle.

Because of the large amounts of money at stake, Congress is being pulled in several different directions at once by different interest groups. But the advantages and disadvantages producers, pipelines, retail distribution companies and consumers would have under the various proposals would not be of long duration. Market realities, not controls, will dominate the natural-gas picture in the United States, according to most analysts.

Those market realities have been driven home in the last two years as plentiful oil supplies and falling prices have cut into industrial demand for natural gas, the price of which until recently was still rising rapidly. Meanwhile, demand from commercial and residential users was also declining as a result of conservation efforts, such as putting more insulation in homes heated with gas.

With demand dropping and prices being paid to producers rising under the current controls, the interstate pipelines found themselves in a terrible bind. The pipelines buy the gas from producers — typically under long-term contracts, many of which were signed when the natural-gas shortage was expected to last indefinitely. The pipelines then sell to local distribution companies, or sometimes directly to very large users, including electric utilities and major industrial plants.

Industrial users began to switch to oil, or were threatening to do so as part of a demand for price cuts. Unfortunately for the pipelines, their contracts with producers left them no way to pass such cuts backward. At the same time, the volume of gas being moved through the lines was down, and that also cut pipeline revenues.

With bankruptcy more than just a possibility for some pipelines, several began making unilateral

changes in their contracts with producers. Others tried to negotiate changes, some successfully. Many producers, including Exxon, Texaco and others, went to court to enforce their contracts.

In the midst of all the legal tangle, one fact became abundantly clear: controls or no controls, a commodity cannot be sold above its market price indefinitely.

The producers being hit the hardest were those who had found gas at depths below 15,000 feet and, under the controls, were free to sell it for whatever the market would bear. They did so at prices up to \$10 a thousand cubic feet when the average price was between \$2 and \$3. Now that big price differential for such "deep" gas has largely disappeared.

An analysis by the Congressional Budget Office recently compared two versions of the pending natural-gas legislation — one of which would continue controls on "old" gas and one that ends them — and the current law. Interestingly, it showed that by the latter part of this decade the price of natural gas paid by the local distribution companies would be virtually identical under any of the three approaches.

In fact, some analysts believe that for most consumers, decontrol of natural gas has become almost a moot issue. Average wellhead prices have been rising more than crude-oil prices since 1973, and by some estimates the current average price is little different than it would be in the absence of controls.

In other words, all the controls are doing at this point is favoring some types of producers over others, according to the vintage, depth and other characteristics of their gas. Some pipelines and users are also favored according to which producers happen to supply the interstate pipeline that carries their supply of gas.

As with oil, complete decontrol of natural gas in the United States, should it happen, could turn out to be almost a non-event once all the legal tangles over existing contracts were unraveled.

— JOHN M. BERRY



The core of a nuclear reactor at Dampierre, France.

SCIENCE

Animals Given a Human Gene

By Harold M. Schmeck Jr.

New York Times Service

NEW YORK — Scientists are setting out to grow breeds of giant mice that are genetically a little bit human. Dozens of such animals have already been born, each carrying transplanted genes for human growth hormone that makes them grow to twice their normal size.

The aim is better understanding of how genes are controlled, but practical applications are already being pursued including the development of faster growing, better quality beef cattle, that might have immense impact on future agriculture. Moreover, issues have already been raised concerning the ethics of doing similar gene transplantations in humans, although specialists put the prospect of doing this many years in the future because of unknowns and technical obstacles.

Some of the new mice are about twice normal size because they carry human genes for the production of growth hormone and have an oversupply of that hormone in their blood. From these animals, scientists hope to breed whole colonies of mice that will pass the human gene to their offspring in the normal course of heredity.

Such mice, called transgenic, provide a tool never before available, to study how individual genes are switched on and off and determine what controls their biological effects on the living body.

Genes are the determinants of all hereditary traits. Within the nucleus of every cell is a complete set of genes embodying the blueprints of heredity from which, in theory, a whole new individual could be grown. But, in each normal cell, only those relatively few genes necessary for the cell's own functions are turned on, and only at the precise time of need. That selectivity and timing makes a muscle cell a muscle cell instead of skin, liver, bone or even cancer.

All the genes that are not needed stay turned off, or "unexpressed," to use the scientific term. The whole pattern of human growth and development from conception to old age, in health and illness, is an orchestration of gene control, governed by the manner and timing in which genes are activated to do the body's work. Today, scientists have only a few clues to the controls and signals that govern this vital process. The puzzle of gene control is one of the most important problems of modern biological research, touching both normal development and disease.

"Gene regulation, over all, is what we are interested in," said Dr. Ralph L. Brinster of the University

of Pennsylvania's School of Veterinary Medicine. "If you understand that, I guess you would understand how the genes go wrong in many diseases."

He and his main collaborator, Dr. Richard D. Palmiter of the Howard Hughes Medical Institute at the University of Washington, Seattle, are widely recognized as leaders in research on transgenic mice. Today they will jointly receive an award for their work from the New York Academy of Sciences.

The gene transplantations are done when the mouse embryo is only a single fertilized egg, flushed from the female's reproductive tract and placed on a laboratory glass plate. Watching through a microscope, a scientist carefully pierces it with a hollow tube much thinner than a human hair, then squirts many copies of a specially modified human gene into one of the two cell structures, called nuclei, that later fuse to become the nucleus of the early embryonic cell.

The egg cell is then put into the reproductive tract of a female, to be born about 20 days later as a mouse, ordinary except that all of its cells contain copies of a human gene.

THE transplantations are successful in a substantial, although quite variable, percentage of attempts. In some of the successes, the transplantations have been stable and have been transmitted in the normal course of heredity to succeeding generations.

The experimenters have no control over where in the animal's genetic apparatus the foreign gene becomes integrated. Sometimes it will lodge in one chromosome, sometimes in another. In the early experiments there was little success in getting the foreign genes "expressed," or activated, so the product for which they provided the blueprint was actually produced.

The most dramatic success was reported just a year ago in a collaboration by Dr. Brinster, Dr. Palmiter and colleagues. They constructed a special genetic message by fusing together a gene for rat growth hormone and a control portion of another gene, called a metallothionein gene, and transplanted this composite package of genetic instructions.

Some of the mice in these experiments grew to twice normal size. Recently the scientists did the same with human growth hormone, again seeing mice grow dramatically under the influence of the extra foreign gene and the control portion, which is called a promoter.

Comparable experiments have

been done by Dr. Thomas Wagner and colleagues at Ohio University, with results that confirmed the experiments of the scientists in Pennsylvania and Washington.

At a recent symposium on gene therapy held by the National Institute of Child Health and Human Development in Bethesda, Maryland, Dr. Wagner said a team led by himself and Dr. Finney Murray of Ohio State University had extended the research to large agricultural animals. The goal is to transplant genes for human growth hormone into cows, sheep and pigs so they will grow more efficiently and more rapidly.

So far the transplants have not succeeded, he said, but Dr. Wagner believes it is only a matter of time before some of these experiments are successful.

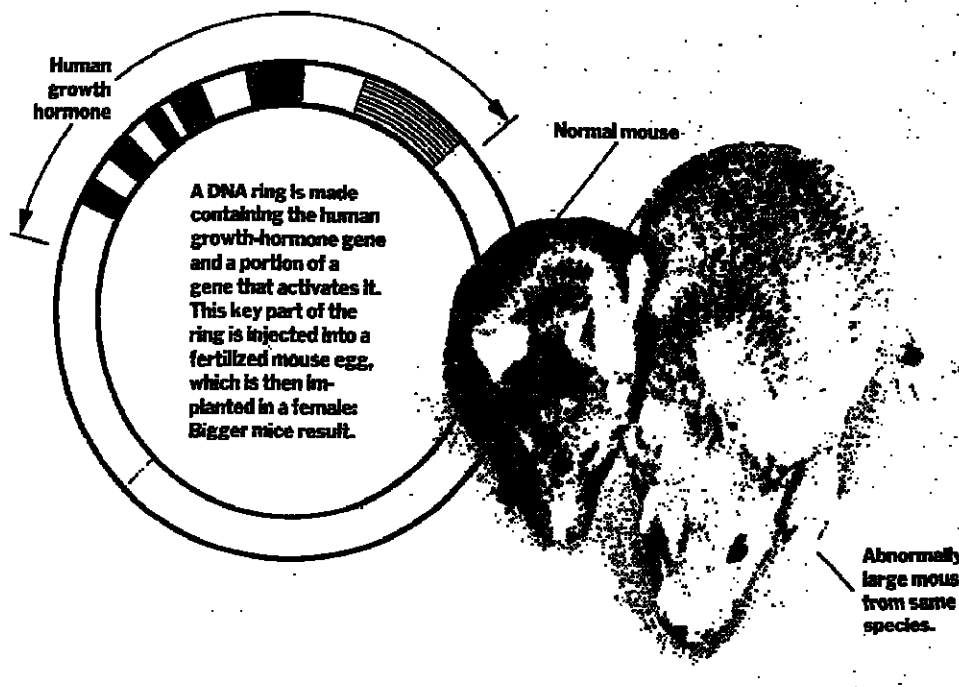
Injections of animal growth hormone into food animals will make them grow faster and improve the quality of their meat, but such injections are too expensive and time-consuming to be practical.

Dr. Wagner sees no ethical problems in this use of genetic engineering. Domestic dogs, horses, cattle, sheep and pigs are all artifacts of human ingenuity, he said, so far removed from their original wild progenitors that it is doubtful they could survive without care by humans.

Dr. Brinster is also doing research along similar lines in collaboration with Dr. Harold Hawk of the Department of Agriculture laboratories in Beltsville, Maryland. There are many unknown factors to be resolved concerning the long-term effects on domestic animals. Dr. Brinster said, but any such effects would probably not raise problems in meat production because meat animals are slaughtered early in life.

Human growth hormone is used because it has been much studied and is effective in many species. Dr. Brinster's research is concentrated primarily on the fundamental studies of gene control and gene expression becoming possible through the use of transgenic animals.

In normal animals, including humans, the main site of growth hormone production is the pituitary gland. In the transgenic mice, the hormone is made largely in the liver. In fact, the animal's natural pituitary function seems to be abnormally depressed, probably because the body senses that it has ample growth hormone and needs no more. Production of the hormone in the liver may result because this is where the metallothionein gene normally acts.



Clue to Alzheimer's Disease Found

By Lawrence K. Altman

New York Times Service

SAN FRANCISCO — The prion, the smallest infectious agent known, appears to have links to Alzheimer's disease and several other degenerative disorders of the brain.

According to studies reported in a medical journal Tuesday, researchers from the University of California medical schools at San Francisco and San Diego have found that the infectious agent and a chemical previously known to be present in the brains of victims of these diseases appear to be identical.

Indeed, the research indicates that the previously identified substance may in fact be clumps of prions.

The substance previously found in the brains of victims of degenerative disorders such as kuru, Creutzfeldt-Jakob disease and Alzheimer's disease is amyloid, which until now most doctors considered simple waste products. The amount of amyloid present in Alzheimer's disease appears to be roughly correlated with severity of the symptoms.

Dr. Stanley B. Prusiner, who headed the seven-member research team, said in an interview: "It is an astounding finding because we never would have dreamed that amyloid and prions were the same. The implications of the findings may be enormous."

He said the findings could ultimately provide doctors with the key to preventing and treating Alzheimer's disease, the medical term for senility. A principal co-author, Dr. George G. Glenner of the University of California at San Diego, said, however, that he would be more cautious about the implications until further studies were conducted to prove that prions and amyloid were the same.

Alzheimer's disease, which occurs with increasing frequency after about the fifth decade of life, is one of the most common and devastating disorders affecting older people in this country. About 2 million Americans have the disease.

Individual prions are too small to be seen under an electron microscope. A prion is about one one-hundredth the size of the virus that causes polio, for

example. However, from experiments in test tubes, the California researchers found that hundreds of prions form clumps, which can be seen as rods through an electron microscope. The rods are about 10 times the size of the virus that causes polio.

Prions themselves have been scientifically controversial because they have characteristics unlike any known microorganism. So far, research shows that prions are composed of only one major protein called PrP, for prion protein. Despite an intensive search for a nucleic acid in the prions, none have been found. What makes prions so peculiar scientifically is that nucleic acid is the basic genetic material of living things. Further, although prions replicate, scientists do not know how they could do it in the absence of nucleic acids.

The research reported in the journal *Cell* adds further support to the theory that Alzheimer's is a slow virus disease. Slow viruses are so named because the incubation period can be 30 years or longer. It is not known why the disease is particularly threatening to the elderly.

Kuru is one such slow virus disease that has been transmitted experimentally to animals. It is a degenerative brain disorder that was first recognized in New Guinea and traced to cannibalism. Very little has been learned about the workings of the virus once it gets into the body.

Dr. Prusiner said that although the new link suggested an infectious cause, there was no evidence that Alzheimer's disease could spread directly from one person to another.

Although Dr. Prusiner has studied prions methodically for more than a decade, he said a chance observation led to the new findings. It came when the neurologist was scanning a book of electron microscope photographs and saw one that resembled the prion rods. To his surprise, the picture was of amyloid.

Dr. Prusiner said if prions were found to cause Alzheimer's disease, it might be possible to find drugs to slow down the process in which they form or even to prevent it from happening.

CURRENTS

Heart Recovery Chances Clarified

STANFORD, California (AP) — Doctors no longer have to guess about a patient's chances for recovery after a heart attack, according to the results of a 10-year Stanford University research project.

The findings showed that heart-attack patients who return to work quickly have a lower risk of dying within one year than patients who do not, according to Dr. Robert F. DeBusk, director of Stanford's cardiac rehabilitation program. But doctors who fail to tell their patients clearly about their condition after an attack can hinder recovery and drive up the cost of care and rehabilitation, Dr. DeBusk and his colleagues said.

The findings follow the use of new techniques such as exercise testing to distinguish soon after a heart attack between patients with low risk of a second attack and those with high risk, Dr. DeBusk said. "We don't have to give him vague instructions to 'take it easy,'" he explained. "For the first time, we can tell him precisely what his odds are, what his capacities are, and what he can do."

Hormone Test Set for Gehrig's Disease

BOSTON (AP) — A hormone that doctors say may be the first treatment for Lou Gehrig's disease will be tested in a major study at New England Medical Center, the hospital says.

The disease, known formally as amyotrophic lateral sclerosis, attacks the nerves and eventually leads to paralysis and death.

Doctors from the University of Southern California School of Medicine reported last summer that injections of thyrotropin-releasing hormone, or TRH, temporarily reversed the muscle weakness caused by the disease. The latest research, financed by the Muscular Dystrophy Association, will be conducted on 150 patients, including 14 who began receiving TRH injections two months ago.

Cloning Gain May Aid Hemophiliacs

NEW YORK (NYT) — A biotechnology company says it has made a significant advance toward artificially producing a blood substance needed by thousands of hemophiliacs to curb excessive bleeding.

Genetics Institute, a Boston-based company, said research led by Dr. Jay Toole "has successfully cloned" a substance representing the human gene for a protein that is defective or missing from the blood of people suffering from the most common form of hemophilia.

The cloned substance is deoxyribonucleic acid, or DNA, the active substance of the genes of all living things. The protein, a factor VIII, which is defective or missing in people with hemophilia A, is a form of the hereditary blood disorder that inhibits natural clotting.

The cloning of a piece of DNA means that it has been obtained in pure form and can be produced in large quantities in bacteria, but Dr. Toole emphasized that large-scale production was probably years away.

Sea-Level Rise Traced to Glaciers

SAN FRANCISCO (UPI) — When scientists learned that the average sea level had risen 6 to 10 inches in the last century, some theorized it was caused by melting polar ice caps. A new study indicates that the source is mountain glaciers.

The findings were reported by the U.S. Geological Survey's Glaciology Project office in Tacoma, Washington, at the fall meeting of the American Geophysical Union, a conference of Earth and planetary scientists in San Francisco.

The polar ice cap theory was cast in doubt when experts concluded that the ice sheet has probably grown a bit in the last century and Greenland's cover hasn't changed much at all. Calculations showed, however, that the melting of glaciers "appears to be just about what is needed to explain the rise."

U.S. Plans to Issue El Niño Warnings

SAN FRANCISCO (AP) — The U.S. government hopes to issue informal warnings to nations threatened with storms and drought caused by the climatic phenomenon known as El Niño.

"We can help," said Celso S. Brimontes, chief of marine environmental assessment for the National Oceanic and Atmospheric Administration. He said the warning system may take at least two years to set up. "It's hard to get going both politically and scientifically," he said during the American Geophysical Union's fall meeting. Last winter's El Niño, labeled the strongest of the century by NOAA, was blamed for about 1,000 deaths and \$8 billion worth of devastation around the world.

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TRADE EVENTS JANUARY/JULY 1984

JANUARY	
January 14-15 to be established	January 24-25
January 20-21	January 26-27
January 22-23	January 28-29
January 24-25	January 30-31
January 26-27	February 1-2
January 28-29	February 3-4
January 30-31	February 5-6
February 1-2	February 7-8
February 3-4	February 9-10
February 5-6	February 11-12
February 7-8	February 13-14
February 9-10	February 15-16
February 11-12	February 17-18
February 13-14	February 19-20
February 15-16	February 21-22
February 17-18	February 23-24
February 19-20	February 25-26
February 21-22	February 27-28
February 23-24	February 29-30
February 25-26	March 1-2
February 27-28	March 3-4
February 29-30	March 5-6
March 1-2	March 7-8
March 3-4	March 9-10
March 5-6	March 11-12
March 7-8	March 13-14
March 9-10	March 15-16
March 11-12	March 17-18
March 13-14	March 19-20
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OIL AND ENERGY

OPEC's 24th Year: Dissension Obscures Founders' Purposes

By Randa Takieddine

PARIS—Started with a spirit of nationalism and solidarity to defend a common precious resource, the Organization of Petroleum Exporting Countries is dangerously sliding away from its initial purpose.

It is degenerating into an organization where competing oil merchants, prisoners of markets they no longer control, highlight the illnesses of their developing world—struggles for power, political tensions and wars.

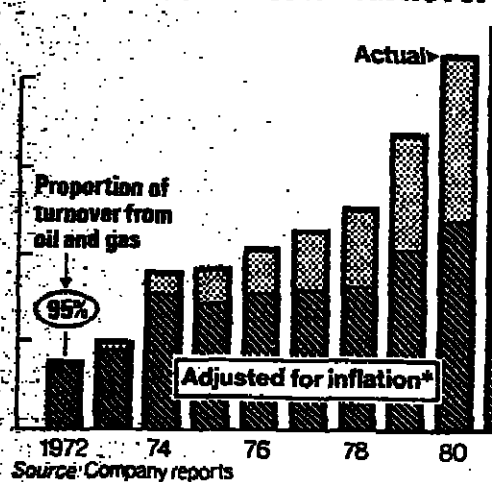
OPEC is entering its 24th year, a year that could be bleaker for the organization than the last two if the 13 members fail to restore discipline to their production policies and to elaborate a short-term and a long-term strategy for their pricing policies and their relations with producers outside OPEC.

In the last two years, there has been a noticeable decline in world demand for OPEC oil. Among the reasons are the recession in the industrialized world, which contributed to a decline in consumption in the OECD countries; the restructuring of Western economies for stricter conservation; the increase in oil production of non-OPEC members, mainly in the North Sea, Mexico, Alaska and the Soviet Union; and, last but not least, the major buildup and subsequent

drawdown of inventories between 1982 and 1983. (In the first quarter of 1983, as a result of the significant drop in prices, companies depleted their inventories at a rate of 4 million to 5 million barrels a day, constituting an additional supply that competed with that of OPEC.) From a production level of 31 million barrels a day in 1979, OPEC's production has dropped to about 17.5 million barrels a day in 1983, and its financial situation has deteriorated considerably. According to OPEC's annual statistics bulletin, OPEC current-account balances underwent a sharp decline, from a surplus of \$61.1 billion in 1981 to a \$2.51-billion deficit in 1982.

A series of price cuts by Nigeria and by the British National Oil Co. (BNOC) alarmed OPEC members in March 1983, prompting them to try to avoid a collapse of oil prices. After a 10-day marathon meeting in London, they decided to reduce the official price of the marker crude level by \$5 to \$29 a barrel. They also set an overall production ceiling of 17.5 million barrels a day for the rest of 1983, within which quotas were set for individual countries. After that meeting, the Saudi oil minister, Sheikh Ahmed Zaki Yamani, said: "I have a strong feeling that this will really work out and OPEC will be in the driver's seat, but I cannot rule out the pos-

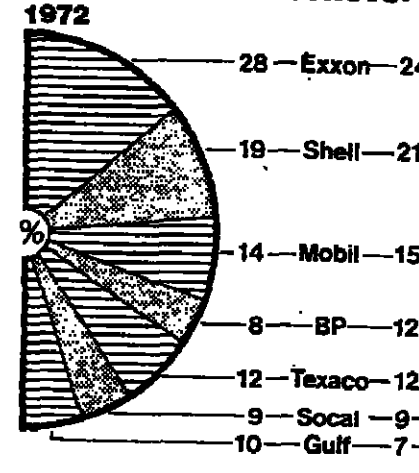
Seven sisters: total turnover



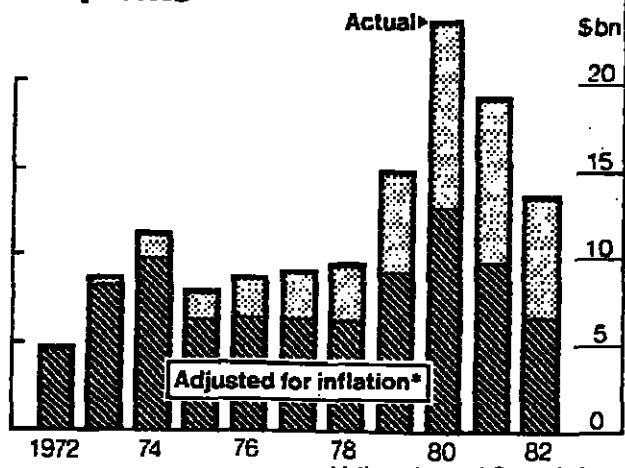
Source: Company reports

A decade of OPEC price increases has not only severely affected the economies of importing nations, but also changed the outlook for the Seven Sisters.

% share of total turnover



Net profits



*Adjusted using US gdp deflator

The Economist

Gulf Nations Now Realizing Potential of Associated Gas

By Susannah Tarbush

LONDON—A few months ago Hussein Sultan of Dubai had his car converted to run on liquefied petroleum gas (LPG) as well as gasoline, one of about a dozen cars in the area to have been so adapted recently.

Mr. Sultan has a good reason for making the change: as a director of the Dubai Natural Gas Co. (DUGAS) and managing director of Emirates Gas, he is doing all he can to encourage the local use of LPG.

"There is a great future for gas in the domestic market," he believes. In an era of petroleum production, more and more of the world's international price prospects are not particularly bright. "It is best to use it locally rather than sell it cheaply or flare it," Mr. Sultan said.

Emirates Gas aims to be a pioneer in the Gulf in promoting the use of LPG to fuel vehicles. It will initially concentrate on large fleet operators such as the police or municipal authorities. Mr. Sultan foresees a time when all the Gulf's power stations and industries will be fueled by gas. DUGAS already plays a vital role in firing Dubai Aluminium (DUBAL's) gas turbine driven generators.

DUGAS gathers and processes the gas from the emirate's offshore oil fields, and separates it into residue gas (methane and ethane), LPG (propane and butane), and condensate. Its processing plant is designed to receive up to 125 million cubic feet of gas a day from which it can produce up to 9,000 barrels of propane, 7,000 barrels of butane, 7,000 barrels of condensate and 70 million cubic feet of residue gas. All the residue gas is piped to the DUBAL plant, while the LPG and condensate are exported to Japan. At present about 5 percent of the LPG is used locally.

DUGAS has embarked on a major \$100-million expansion program to increase production by 10 to 20 percent. The work, which is due to be completed in early 1984, involves drilling new offshore wells and laying new pipelines. The DUGAS expansion program is only part of the massive drive launched in the Gulf in the last few years to exploit the gas associated with oil production. Before the 1970s, the gas was largely flared, although in Saudi Arabia in the 1950s the Arabian American Oil Company (Aramco) used some gas as fuel for plants belonging to it and a few local companies, and for reinjection to maintain the pressure in oil fields.

In 1959, Aramco started to develop a gas-gathering system to recover natural gas liquids (NGL), and in 1961 exports of LPG began. But it was the leap in oil prices from 1973 and the Saudi government's decision to go all out for industrialization that prompted the enormous investment in the kingdom's master gas system.

Saudi Arabia's master gas system is often described as the most ambitious energy project ever. It involves 37 gas-oil separation plants, four gas-processing centers at Berri, Abqan, Shadrum and Ummajmah in the Eastern Province, a gas pipeline running across the Arabian peninsula from Shadrum to Yanbu, and three NGL fractionation plants and export terminals at Jazan and Ras Tanura on the Gulf and Yanbu on the Red Sea. The system includes more than 2,400 kilometers (1,448 miles) of gas pipeline.

The master gas system can process up to 3.5 billion cubic feet of gas a day to produce 2 billion cubic feet of methane fuel gas, 370 million cubic feet of ethane, more than

315,000 barrels of NGL and 3,700 tons of sulphur as a byproduct. Gas is used in power plants and industry in the Eastern Province. It drives seven power stations and a steam power plant, producing almost all the province's electricity. It also supplies two huge desalination plants, a glass factory and cement and fertilizer plants.

Associated gas is the essential ingredient in the ambitious petrochemical projects of the Saudi Arabian Basic Industries Corporation (SABIC), located in the new industrial cities of Jubail and Yanbu. Methane is the feedstock in methanol and fertilizer plants, while ethane is the feedstock for processes resulting in a variety of chemicals including ethylene, styrene, polyethylene, ethanol and ethylene glycol. And this is only the beginning. These basic chemical building blocks form the basis of a host of new downstream industries.

Of the remaining constituents of associated gas, propane and butane are refrigerated and condensed for export as LPG, leaving natural gas, which is also exported. Though on a considerably lesser scale than the Saudi master gas system, the other Gulf states have also made large investments in systems to gather and process their associated gas.

These systems have been badly affected by the decrease in volumes of associated gas as a result of the cuts in oil production imposed by the official ceilings of the Organization of Petroleum Exporting Countries. One particularly dramatic consequence was the 24-hour total power failure in Saudi Arabia's Eastern Province in late June, although some sources attributed the failure to technical problems. Saudi Arabia is locked into a certain minimum level of oil production if it is to produce enough associated gas for power generation, petrochemical plants and exports. It has been calculated that when the entire master gas system is in operation, at least 7.54 million barrels a day of oil would have to be produced to ensure enough gas was available for the system to work at full capacity, some sources said. Others said the figure could even be 3 million to 4 million barrels a day. In recent months, oil production has been between 4 million and 5 million barrels a day, and earlier in the year it dropped as low as 3.5 million barrels a day.

Qatar has also suffered from the drop in gas production. The Qatar Petrochemical Company (QAPCO) depends on associated gas for the ethane feedstock from which it can produce 280,000 tons a year of ethylene and 140,000 tons a year of low-density polyethylene (LDPE). The plant has operated at well below capacity in the last two years, and it has suspended plans for a 70,000-ton-a-year high-density polyethylene (HDPE) unit.

Qatar's other major petrochemical industry, the Qatar Fertilizer Company (QAFCO), which produces ammonia and urea from methane, is less affected by the drop in output of associated gas since it can draw on nonassociated gas from the Khuff formation at Dukhan. But this source could run out within five years. With associated-gas activities vulnerable to decreases in oil production—as was shown all too clearly in the last two years—Gulf governments are anxious to exploit to the full their reserves of nonassociated gas. Qatar is extraordinarily well endowed with nonassociated gas. Its offshore North Field is said to contain at least 110,000 trillion to 120,000 trillion cubic feet, and possibly as much as 300 trillion cubic feet, making it one of the world's biggest known accumulations of gas.

But plans to exploit the gas have been held up by uncertainties over the technicalities and by worries over marketing, given developments such as the Soviet gas pipeline to Western Europe and major new LNG projects elsewhere.

On June 20, Qatar General Petroleum Corporation (QGPC) signed a memorandum of understanding with British Petroleum and Compagnie Française des Pétroles (CFP-TOTAL). The two companies have each been offered a 7.5-percent equity interest and will provide technical assistance in an LNG project based at Umm Said. It is said that the location of the plant there, rather than in a more northerly location, will reduce the total cost of the project, which has been put at high as \$6 billion.

The question of regional gas supplies has been one of the priorities of the Gulf Cooperation Council, which was formed in 1981 by Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, Bahrain and Oman. The GCC summit in Doha in November gave approval for detailed studies on a proposed Gulf gas grid to provide countries short of gas with supplies from areas with a surplus.

The plan for the grid envisages one pipeline from Qatar's North Field to Saudi Arabia and Kuwait, and another from the United Arab Emirates. It is still not clear how the pipeline proposals would be incorporated into the overall development of Qatar's North Field.

The U.A.E. is witnessing particularly intense activity in the tapping of gas sources. In Abu Dhabi, the Abu Dhabi National Oil Company (ADNOC) project to recover about 450 million cubic feet of non-associated gas from the Thamama C reservoir is due to start up in April. A gas treatment plant has been built at Bab, and its output will go to local industrial, power and desalination plants.

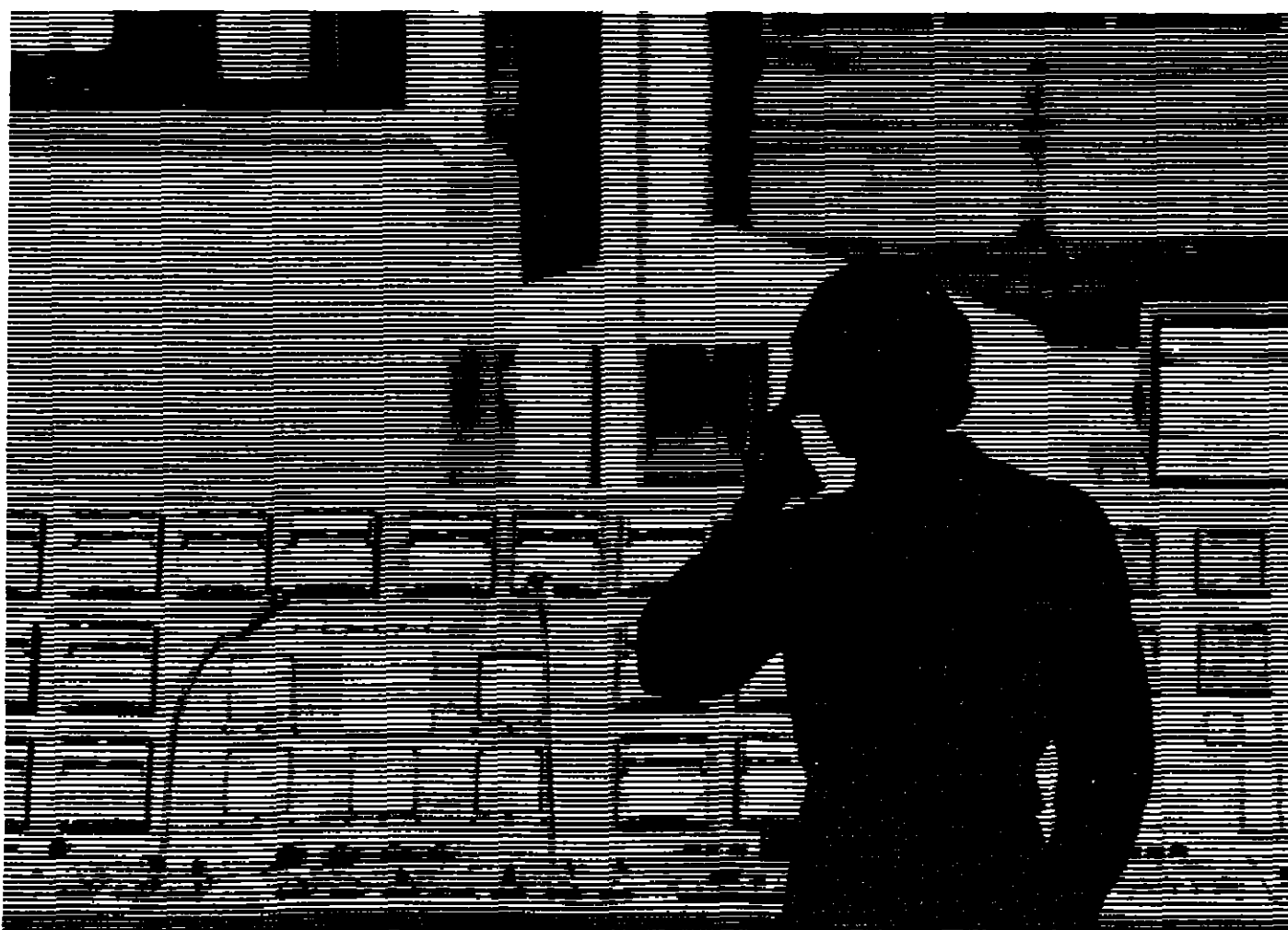
Earlier this year a \$500-million syndicated loan was raised for the Abu Dhabi Gas Liquefaction Company (ADGAS), which has the Gulf's only LNG plant, on Das Island. The loan, which was seen as a sign of confidence in the emirate's long-term gas prospects, is going toward the building of seven storage tanks, three for LNG and four for LPG.

ADGAS receives offshore associated gas from the Umm Shaif and Zakum fields and nonassociated gas from the Umm Shaif field. In an effort to free itself from the vagaries of oil-production volumes, ADNOC is proceeding with plans to develop deep nonassociated gas reserves in the Khuff formation of the Umm Shaif field. Gas would initially be produced at a rate of 250 million cubic feet a day and would be processed at the Das Island LNG plant. The project was expected to be completed in 1984, but it is reported to have been delayed to 1985.

Elsewhere in the U.A.E., construction has started on the Emirates General Petroleum Corporation (EGPC) project for a 250-kilometer (155-mile) gas pipeline system to link Sharjah's onshore Sajaa field to the northern emirates of Ras al-Khaimah, Fujairah, Umm al-Qwain and Ajman. The gas will be used for power stations and industry, mainly cement, and work is expected to finish in mid-1984.

With Sharjah planning to increase production of condensate from about 35,000 barrels a day to perhaps 60,000 barrels a day over the next year, it desperately needs to utilize the associated gas that is currently being flared at a rate of 250 million to 300 million cubic feet a day.

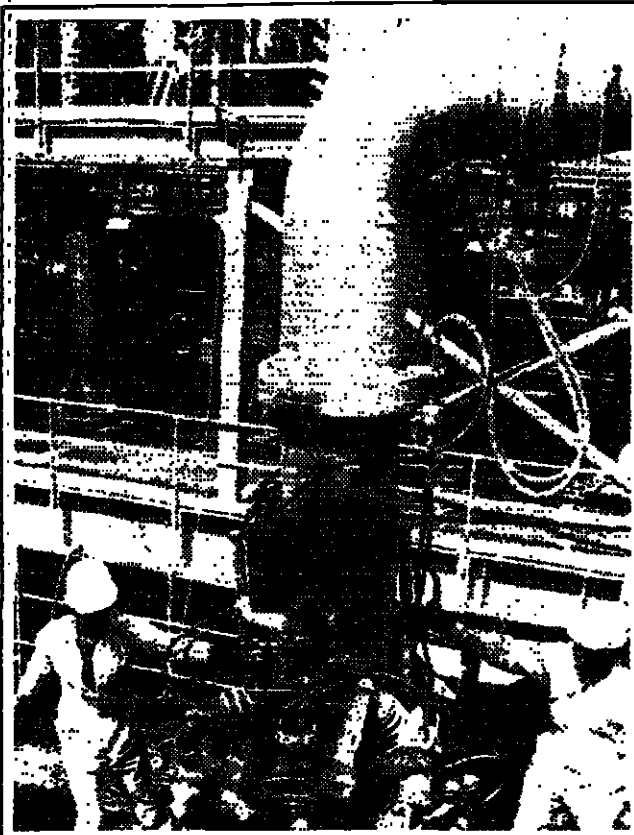
Electricité de France. Contributing more to the nation's energy.



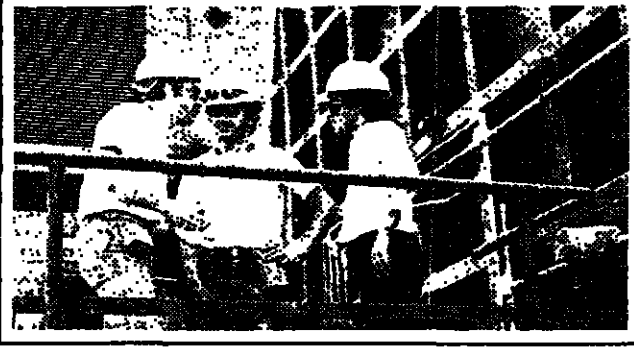
Ten years ago, only 8% of France's energy needs were met from its national resources. Today, 20% of the energy used in France is provided by Electricité de France nuclear and hydroelectric power stations, that is, from the nation's own resources.

ELECTRICITE DE FRANCE

OIL AND ENERGY



Oil has fueled industrial development of the Gulf nations. Industry analysts now wonder whether the conservation measures forced on Western customers of OPEC by higher prices will have permanent effects. Above and below, Saudi Arabians at work in Aramco installations.



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Nuclear Energy Continues To Expand Despite Opposition

(Continued From Preceding Page)

Even in the United States, where new orders long since ceased, another 40,000 megawatts will probably be finished. U.S. nuclear output, too, will roughly double by 1990, replacing still 1.3 million barrels a day of oil and gas-fired power stations and further cutting U.S. oil imports.

The economic impetus for nuclear power — outside of the United States — has proved to be compellingly clear, attributed in large measure to OPEC.

Nuclear electricity currently is the cheapest energy source available except in those few, fortunate areas where there still remain undeveloped hydroelectric sites. Moreover, for the industrial states like the Soviet Union, Japan, France or Britain, it is "home-grown" energy, produced entirely from domestic resources, and therefore, no drain on the balance of payments. Smaller countries, like Belgium, Spain and Italy, can produce reactor vessels and equipment covering most of their requirements.

The allure is also strategic — nuclear energy is safe from interdiction. Only the raw uranium must be imported, which is a minute fraction of total costs. Stockpiling a five-year supply of uranium adds only 1 percent to the total cost of the power station, and most countries now routinely maintain such a margin.

The cost advantage of nuclear power — outside the United States — was consolidated only by higher oil prices. In 1970, nuclear energy and oil-based electricity were very close in cost. In Britain, the first, relatively costly Magnox reactors needed protective tariffs on fuel oil.

Today, after a tenfold rise in oil prices, surveys show nuclear electricity costs to be below three cents a kilowatt-hour, which is almost two-thirds less than oil or gas. Nuclear plant costs had since escalated, due to inflation and more comprehensive regulation. But real oil and coal costs rose even faster, leaving nuclear power with a clear edge, as confirmed by detailed comparisons of actual plants by Ontario Hydro in Canada, Commonwealth Edison in the United States, and Electricité de France (EDF).

The edge in Europe is especially large. European coal is dishearteningly expensive. The EC secretariat reported costs at more than \$80 to

\$90 a ton at the minehead, in spite of subsidies, which can exceed another \$15 to \$25 a ton. Thus, nuclear electricity in Europe costs at least 30 to 40 percent less than coal.

The striking exception is the United States, where nuclear and coal electricity are closely competitive. U.S. coal is cheap (\$10 to \$35 a ton), and fully automated unit trains with capacities of 10,000 tons each have cut transport costs, making coal cheaper in some areas, albeit rarely by more than 10 percent. Hence, the United States alone has the luxury of an economic choice — coal and nuclear electricity are both comparatively cheap and both are domestic.

It is, however, the Soviet bloc that now emphasizes nuclear power most strongly. It envisages nuclear energy as the key to its longer-term plans for domestic energy, especially as a device for ensuring future exports of oil and gas for hard currency. At the end of last year, the bloc had 22 gigawatts installed, which will double to 46 by 1985 and at least triple to between 60 and 80 by 1990, of which a quarter would be in the satellite states. A gigawatt is the equivalent of 1 billion watts.

Soviet technology is completely indigenous, although buttressed by the Czechs with deliveries of heavy components from the Skoda works and uranium ore. By emphasizing nuclear plants, unfettered by domestic opposition and facilitated by fewer safety constraints, the Soviet Union has freed the equivalent of 500,000 barrels a day worth of oil and gas for export, and their nuclear schedule is crucial to future exports.

The East bloc's nuclear future is even more comprehensive than France's. The Soviet Union has been operating a commercial-scale, 600-megawatt fast-breeder reactor since 1980 and they are extending nuclear power to household heating. Specialized nuclear plants for district heating systems are under construction in Gorky, Voronezh and Odessa, following a model pioneered and then abandoned by the Swedes in the early 1960s.

B.A. Semenov, deputy director general of the IAEA, highlighted the strategic significance of nuclear power for the Soviet Union by noting that coal already comprised 40 percent of Soviet rail traffic and that the newer coal deposits are all far to the east of the Urals, even more remote from demand centers. The vigorous penetration of nu-

clear power outside the Soviet Union was achieved in the face of militant, if narrowly based, opposition. It varies from bumper stickers, such as "Atomic Power — No Thank You," to assaults upon construction sites, such as the German demonstration against France's breeder reactor at Creys-Malville. In France, only 2 or 3 planned reactors succumbed. At Plogoff in Brittany, indigenous fishermen and local retirees successfully blocked a large station because — quite literally — the locals feared not nuclear power but the noisy inundation of several thousand construction workers.

France's nuclear program will reach almost technical saturation by 1990. More than 70 percent of total electricity will be nuclear and future increases depend upon the success of EDF and CEA, the atomic energy commissariat, in converting oil uses in industry to new electric technologies. Elsewhere in Europe, Finland, Bulgaria, Sweden, Switzerland and Belgium already produce one-fourth or more of their electricity with nuclear plants, which will increase still more by 1990.

Ostensibly, Sweden did pass a moratorium on nuclear power. But behind the well-publicized facade of that moratorium, Sweden's nuclear program continues unabated. The referendum was a moral victory for the white-collar nuclear opponents, limiting construction to 12 plants — the number that had been planned in any case. It also stipulated dismantling of the plants between the years 2010 and 2030, a constraint that allows ample time for assessing new energy options — or reassessing the nuclear freeze.

Austria and Denmark are the notable exceptions. Denmark is relying upon coal, while Austria, after a narrow vote of 50.2 to 49.8 percent in 1979, mothballed a completed 600-megawatt reactor — a "full-sized nuclear museum," in the words of Walter Fremuth, director of Austria's electric holding company, the Verbundgesellschaft. This was a defeat for Bruno Kreisky, who was then chancellor, and only incidentally for nuclear power in Austria, because the otherwise "pro-nuclear" opposition party voted against the plant when Mr. Kreisky inopportunely construed the referendum as a personal vote of confidence.

Losers on the nuclear scene are most of the lesser developed countries. "Their competitive disadvantage can only worsen," said Domingo L. Siazon, candidate of the Club of 77 (the grouping of the lesser developed countries) for director general of the IAEA.

Industrial countries can avail themselves of cheap nuclear electricity but financial obstacles and the lack of suitable small reactors force most LDCs to stick with costly oil power. Only South Korea and Taiwan have succeeded in major commitments to nuclear power; for the others the competitive gap in power costs must widen further.

SIX LEADING OIL CONSUMING NATIONS

(Millions of Barrels per Day)

	1973	1979	1982	Percent Change 1979-1982
United States	17.3	18.5	15.2	-18%
Japan	5.0	5.2	4.2	-19%
France	2.2	2.1	1.6	-24%
Germany	2.7	2.7	2.0	-26%
Italy	1.5	1.6	1.6	0%
Britain	2.0	1.7	1.3	-24%

Source: Cambridge Energy Research Associates

Despite War, U.S. Discounts Threats to Block Gulf Shipping

(Continued From Preceding Page)

strait for an extended period would not be pleasant, but hardly the disaster it would have been a few years ago. For one thing, the United States now has more than 370 million barrels of oil stored in its Strategic Petroleum Reserve.

If the strait were somehow closed but Saudi oil fields remained still in operation, at least 1½ and perhaps 2 million barrels of oil a day could be moved from the kingdom's Eastern Province on the Gulf through a nearly idle pipeline to Yanbu on the Red Sea. That would leave a reduction in world supplies of about 7½ million to 8 million barrels a day, about 2½ million to 3 million of which could be offset by higher production outside the Gulf area.

The net loss of oil to be shared around the world would, therefore, be no more than 4½ million to 5½ million barrels, according to this analysis. Under the International Energy Agency's sharing agreements, the United States would have to absorb about one-fourth of this loss, even though in the first eight months of this year only 300,000 barrels a day, or 2 percent of total U.S. oil supply, came from the Gulf.

Thus, the United States might have to cope with a reduction in oil supplies of between 1.1 million and 1.8 million barrels a day, depending upon whether the Saudis could use that pipeline and the increase in production elsewhere.

Currently the United States is adding oil to the Strategic Petroleum Reserve at a rate of close to 300,000 barrels a day. Simply not putting that oil into storage would leave a reduction in supplies of between 900,000 and 1.6 million barrels a day. Assuming no conservation response whatsoever, the SPR oil could cover that shortfall for between 8 and 14 months.

"Our SPR is getting to the point that it will domi-

nate the security question," a Reagan administration official said.

But there probably would be a conservation response because no one believes oil prices would not soar if the strait were closed and it looked as if they would be shut for a long period of time.

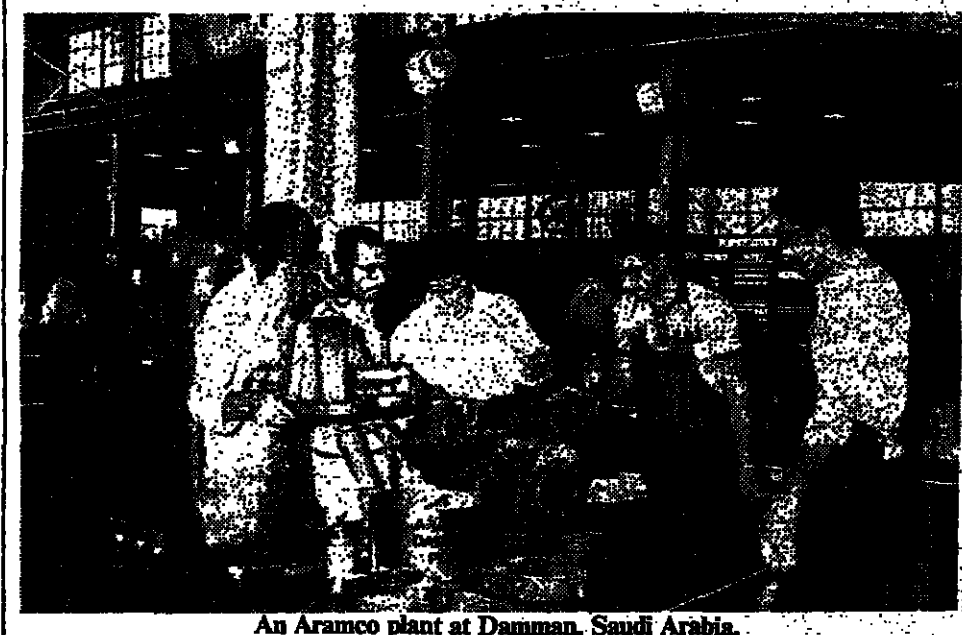
Martin Feldstein, chairman of the Council of Economic Advisers, said an expectation that the waterway would be closed for a long time would probably cause oil prices to double. Some other officials doubt the impact would be quite that large, though still big.

"There would have to be some price run-up, but it would depend on the situation and what governments said they would do about it," the major oil company executive quoted earlier said. "To make spot prices double, the sense of crisis would have to be very severe."

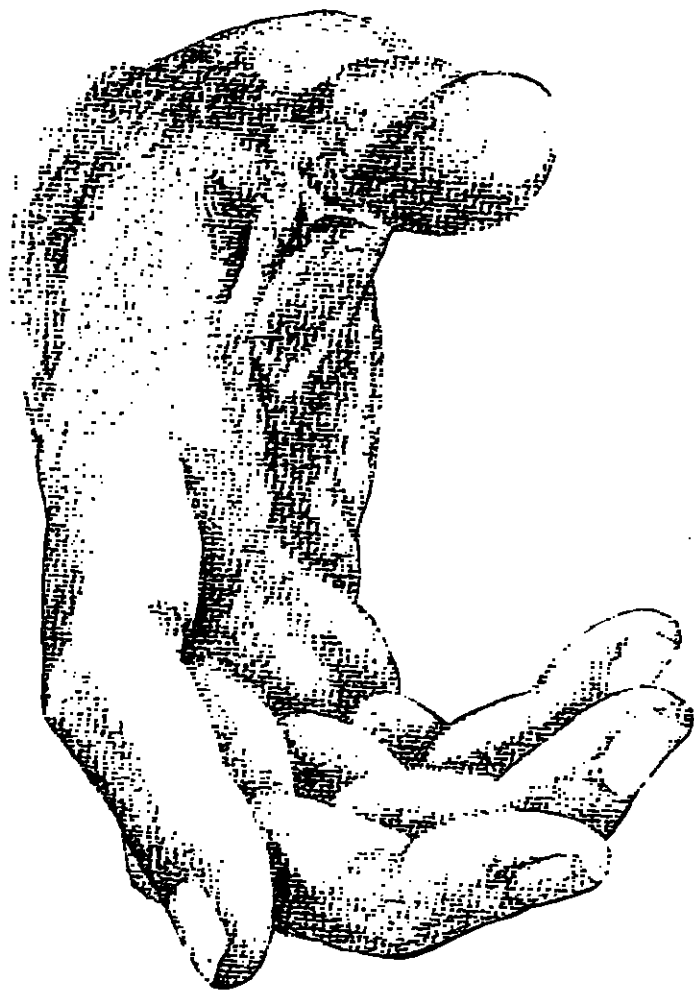
Industry executives remain troubled, however, about the Reagan administration's announced intention to rely strictly on market forces to allocate available supplies during any disruption. A National Petroleum Council group headed by the chairman of Exxon, C.C. Garvin, recommended recently that President Reagan seek standby allocation authority that could be used if needed.

The companies want no part of price controls again, but they fear they would again be blamed for any shortages, as they were in 1974 and 1979, and would like to have the government behind any pro-rata sharing of supplies.

However, the administration maintains that it would not seek to allocate supplies. "Relying on the market means that we would not direct who will get what and how much they will pay for it," an official said. Of course, the administration could influence that market heavily according to how and on what basis it made the SPR oil available, he added.



An Aramco plant at Dammam, Saudi Arabia.



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OIL AND ENERGY

Saudi Petrochemicals Industry Faces a Crowded World Market

By Alan Mackie

RIYADH — The launch over the next two years of Saudi Arabia's petrochemicals industry is sending waves through depressed world markets and through ailing European producers — with whom its products will directly compete.

Few people believed when Saudi Arabia announced its intention in the early 1970s to develop a petrochemicals industry that it would be so quick and efficient in building it. With world production then growing at 4 to 5 percent a year, few took much notice. Now that the vague projections of start-up dates have become hard predictions, attitudes have changed. There is alarm at the prospect of another 3 to 4 percent being added to the world's underutilized petrochemical capacity.

Saudi Arabia could not have chosen a worse moment psychologically to enter the market. Global demand is growing at a sluggish 1 to 2 percent at best, and a spate of Third World producers — notably, Mexico, Indonesia, Iran and Iraq — are proceeding with plans to produce petrochemicals by the end of the decade. As these Third World oil producers move into basic feedstocks, traditional producers have been moving downstream into specialty products in a major and fundamental restructuring of the industry.

But not everyone is adjusting so quickly — Western Europe is an example. And it is Saudi Arabia's luck that it will be trying to sell perhaps 15 percent of its production in Western Europe, where 40 percent of plant, much of World War II technology, is idle, and a fragmented industry is vulnerable to price-cutting and pressures from organized labor.

Saudi Arabia's problem is less with specialized byproducts that joint-venture partners will more easily market, or with secondary products that will come on stream some years hence with a new generation of petrochemicals geared to local market requirements, than with the difficulty in marketing methanol, polyethylene and ethylene derivatives. By the end of 1985, plants of the Saudi Arabian Basic Industries Corp. will be producing more than 1.2 million tons of methanol and 1.6 million tons of ethylene per year. The bulk of methanol is targeted to the Japanese and Far East market, and Japan, which traditionally was a big producer of methanol, is restructuring its petrochemicals industry accordingly.

Ethylene derivatives pose the biggest problem of all. It is the most difficult bulk product to move in current market conditions, and a large part of production, at least initially, will have to be placed in Europe.

The European Community has been slow in responding to the threat posed by the new wave of Third World producers, specifically Saudi Arabia, waiting for the United States to take the first step. But the Reagan administration has moved away from a confrontation with Mexico, its main supplier, over cheap petrochemical imports, and any differences or misunderstandings it had with Saudi Arabia over unfair pricing appear to have been ironed out during Energy Secretary Donald Hodel's visit to the kingdom in late November.

The EC has, therefore, been left to deal with the Saudi threat on its own and is under pressure from members with surplus petrochemical capacity to act. At present, the EC, like the United States, operates tariffs of 12 to 18 percent on Third World petrochemical imports.

The possibility of the EC erecting further tariffs to keep out petrochemicals naturally upsets the Saudis. They feel that they have bent over backward to help the EC countries through their financial difficulties, and they now expect at least reciprocal treatment. In a warning broadcast, the minister of industry and former managing director of SABIC, Abdel Aziz al-Zamil, has called on the EC to lower its tariff barriers.

The chairman of BP International, Robert Horton, has joined the fray by warning Saudi Arabia not to underestimate the "intransigence" of the West European market where strategic interests are involved. Speaking at a petrochemical conference in Al Khobar in early November, he appealed to Saudi Arabia to give Europe the time to make the structural changes that rationalization required. He suggested as a means of strengthening the mutual interest between new producers and their market, that the Arabs finance Europe's replacement capacity and in this way open up markets for their feedstocks. But he warned that it would take a high level of market discipline among both Arab and European producers to avoid a price war and the erection of tariff barriers.

Ignorance and some prejudice appear to characterize the misunderstandings on both sides. SABIC is a fast-growing organization that

has yet to find its feet and a solid identity.

European petrochemical manufacturers have no joint ventures with SABIC, know little about the organization and are deeply suspicious of its potential to upset an already grossly oversupplied market. For example, a Riyadh-based oil executive said: "The fear is that they [the Saudis] will want a 15 to 20 percent return and fudge the figures to get it. After all, the plant is there and they might as well utilize it to the full." The return on assets SABIC is expecting is an unknown quantity. It depends, too, on definitions. Is, for instance, the gas-gathering system included in the assets?

At any rate, if the Saudis priced their product on a positive cash flow basis, for example, they could break even at less than \$1 a barrel, thus undercutting any producer in the world. The Europeans, as the least efficient, are most vulnerable and fear that the Saudis may decide to dump as much as 25 percent of their ethylene production in Europe if doors are closed elsewhere.

Saudi officials have stressed that they want an orderly entrance to the market. But SABIC's director of marketing, Abdullah Nojaidi, has said that SABIC does not intend to lean on its joint-venture partners for help in establishing its market capability. SABIC's own marketing company is under formation with branches in London and Hong Kong. He said that SABIC intends to market a minimum 25 percent of production, depending on marketing agreements already made and others under negotiation, leaving foreign partners with a maximum 65 percent to market, and the remaining 10 percent going to the domestic market.

SABIC believes it has the means to encourage the Europeans and Americans to lower their tariff barriers. For example, it sees Saudi Arabia's annual \$20 billion of imports from the industrialized world as the ultimate bargaining counter in making the industrialized countries compromise. SABIC's chief executive, Ibrahim bin Salamah, said: "All the [Saudi] products being sold don't constitute more than \$4 billion, and they don't all go to the same place. What is \$4 billion... compared with our import requirement? Nothing."

This may be unduly optimistic, however. Given European sensitivities, Saudi Arabia may have to settle for existing tariff levels not being raised — or find itself dragged into a price war.



Saudi Arabia is continuing full speed with development of its petrochemicals industry.

Kuwaiti Retail Venture: Will OPEC Partners Follow?

By Bob Hagerty

LONDON — When the Kuwait Petroleum Corp. bought up 1,600 gasoline stations and two refineries in Europe last spring, some of its Western rivals feared the worst.

Would the upstart flood the already soggy European market with cheap oil products? So far, oilmen report, the answer is no.

"KPC has been very cautious in maintaining the rules of the game," said a spokesman for Exxon Corp.'s Esso Europe unit. At Royal Dutch/Shell, a spokesman agreed: "We have not seen them as price-cutters so far."

Sheikh Ali Khalifa al-Sabah, Kuwait's oil minister and chairman of KPC, said that the matter should never have been in doubt. "KPC is a totally commercial company in its thinking and planning," he said recently. It is "committed to nobody other than its balance sheet."

KPC is even sometimes called the "eighth sister" to the seven big Western oil companies that used to dominate the oil industries of Kuwait and its fellow members of the Organization of Petroleum Exporting Countries.

But KPC is a new breed of oil company whose attitudes and organization differ markedly from those of the Seven Sisters. As a state-owned company, it is under no pressure to pay dividends and thus can take a longer-term view on investments. At the same time, as a company based in the Third World, it is constrained by the shortage of trained executives.

"There's nobody like it in the oil industry," a senior KPC executive said.

While all of the OPEC countries took over their oil industries from foreign owners during the last two decades, none has been so aggressive as Kuwait in building up an international oil company. Kuwait had more incentive to invest overseas than did most other OPEC countries. With a population of just 1.5 million, Kuwait could not find enough worthwhile projects at home in which to sink all of its oil revenue, which totaled about \$10 billion last year, down from a peak of \$18 billion in 1980.

But, as oil demand remains depressed, there are signs that other OPEC countries are seeing the logic of Kuwait's moves to set up secure outlets for its crude. The United Arab Emirates has expressed interest in buying overseas oil assets, and some analysts think that Saudi Arabia, too, will emulate Kuwait.

"I think more and more OPEC countries are going to go into it," said Mehdi Varzi, an oil analyst at the London stock brokerage of Griverson, Grant & Co.

KPC's roots go back to 1934, when British Petroleum and Gulf Oil set up the Kuwait Oil Co. to produce oil in what was then a poor desert country. In 1975, the Kuwait government took over Kuwait Oil Co. In January 1980, the government decreed that the entire oil industry would be grouped under a new parent company to be called KPC.

Less than four years later, KPC is, in the industry jargon, a "fully integrated" oil company. It controls the flow from the oil well all the way to the gasoline pump and, in terms of sales, is roughly half the size of Gulf, the smallest of the Seven Sisters.

Not content with merely exploiting Kuwait's vast oil reserves, KPC has interests in exploration projects in the North Sea and Williston Basin in the United States. It is fighting a court battle in the United States in an effort to overturn a ruling by the U.S. Energy Department that KPC is ineligible to hold oil rights on U.S. government land. The department has contended that Kuwait discriminated against investment by U.S. companies.

The court case, however, affects only a small part of Kuwait's exploration activities, which extend to Morocco, Indonesia, Oman, Congo and Sudan, among other Third World countries.

At home, Kuwait produces about 1 million barrels of crude a day. KPC said it receives no discount on the crude it buys from the government, although analysts said that the policy could easily be discarded if the government changed its mind.

In both exploration and production, KPC draws on the services of Santa Fe International, the U.S. oil-services and engineering company that Kuwait bought for \$2.5 billion in December 1981.

Santa Fe also comes in handy for refining. Its C.F. Braun subsidiary is involved in the upgrading of Ku-

wait's domestic refineries. The daily capacity of the three refineries, about 350,000 barrels, is scheduled to double within the next three years.

In addition, KPC has refineries in the Netherlands and Denmark, acquired last spring from Gulf Oil, which is pulling out of many of its operations outside the United States. Those two refineries add another 150,000 barrels a day to capacity.

KPC subsidiaries produce fertilizer and other petrochemicals at home. Through joint ventures, the company also has petrochemical interests in Turkey, Bahrain and Tunisia.

To improve its petrochemical expertise, KPC is using another major overseas investment, a holding of about 24 percent in Hoechst AG of West Germany. KPC has said it hopes to cooperate with Hoechst in plastics, fertilizer, biotechnology and other fields.

KPC's shipping unit owns 23 tankers capable of carrying crude, oil products or liquefied petroleum gas. The final link of the chain is the European marketing network, including 1,600 gasoline stations in Denmark, Sweden, Belgium, Luxembourg and the Netherlands, also acquired this year from Gulf Oil.

What KPC will buy next is the subject of much guessing. Gulf Oil is still trying to unload its marketing and refining assets in Britain and Italy. KPC has indicated recently that it is not interested in

either, but that was the impression it gave not long before making this spring's purchases.

Sheikh Ali said he does not rule out investments in any part of the world. He noted, however, that Asia's proximity makes it a natural market for Kuwait's petroleum. "The U.S. is not a natural market for us," Sheikh Ali said, citing transport costs.

If that factor can be overcome by other advantages, however, KPC would be interested, he added.

A KPC source indicated that big acquisitions are imminent. If it does decide to move, however, the company clearly has the resources. Its report for the year ended June 30, 1982, showed reserves of 1.1 billion Kuwaiti dinars (\$4.07 billion).

The company had net income of 299 million dinars on sales of 3.4 billion dinars. Sheikh Ali indicated that profit was much higher in the year to last June 30, for which results have not yet been released.

A KPC insider said that the company can move fast when it spots a potential bargain.

Unlike the Seven Sisters, it has not yet developed a lush bureaucracy in the upper reaches of management. Most of the bureaucracy resides at lower levels, where Kuwait's manpower shortage is less severe.

Thus, the insider said, it can take longer to get his vacation schedule approved than it does to get clearance for a multimillion-dollar acquisition.

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BUSINESS BRIEFS

U.S. Drops Probe of Oil Companies After Finding No Basis for Action

WASHINGTON (AP) — The U.S. Justice Department said Wednesday that it has ended a federal investigation of international oil companies because there is no basis for pursuing "possible antitrust action."

Assistant Attorney General William F. Baxter, head of the Justice Department's Antitrust Division, announced the decision to close the 6-year-old investigation without any prosecution.

The investigation initially began in 1977 with requests for documents from seven U.S.-oil companies and four foreign companies. The probe was subsequently narrowed to focus solely on the four companies that jointly own Arabian American Oil Co., known as Aramco, which produces and markets crude oil from Saudi Arabia. The four Aramco partners are Exxon Corp., Tesco Inc., Standard Oil Co. of California and Mobil Corp.

The Saudi Arabian government objected to U.S. government demands for documents from these companies and has effectively blocked the turning over of the documents sought by the Justice Department.

Harvester French Unit Defaults on Pact

CHICAGO (Reuters) — International Harvester Co. said Wednesday that its French subsidiary, International Harvester France, had violated its minimum net worth covenant and the Bank of France had refused to renew a credit facility for the subsidiary.

The facility permits banks to discount notes bought from the Harvester unit, Harvester said. The subsidiary's lenders "have extended the short-term facilities under the (unit's) loan agreements only on a temporary basis," Harvester said. The extension expires Jan. 31.

The subsidiary seeks a 100-million-franc (\$12-million) loan from the French government, certain creditors and from the parent company itself to supply the unit with bridge financing until the unit completes an operational and financial restructuring.

Deutsche Bank's Operating Net Rises

DUSSELDORF (Reuters) — Good results in trading on Deutsche Bank's own securities and income securities should allow it to make a further large increase in risk provisions for nonperforming loans, the joint management board's spokesman, F. Wilhelm Christians, said Wednesday.

He did not say what level of provisions would be made, but increased profit from currency and securities trading in 1982 allowed the bank to increase published group risk provisions last year by 43 percent to 7.7 billion Deutsche marks (\$622.5 million).

Mr. Christians said that operating earnings, including trading for the bank's own account, rose 10.3 percent in the first 10 months of 1983, but he gave no figure. The bank reported a 30-percent rise in 1981 and a 33-percent increase last year.

Capital operating profit of the parent bank for the first 10 months was 2.4 billion DM, up 16 percent from 1.5 billion DM a year earlier.

Time Holders Clear Spin Off of Unit

NEW YORK (Reuters) — Time Inc. shareholders on Wednesday approved a company proposal to spin off the company's forest products division and other proposals that will make it more difficult to acquire the company.

Officials at a special shareholder meeting said a majority of the company's shareholders approved the plan to distribute to stockholders 90 percent of the stock outstanding of its Temple-Inland Inc. subsidiary.

Temple-Inland is the parent company of Temple-Eastern Inc. and Inland Container Corp., which together produce pulp, paper board, building materials and corrugated containers.

Continental Gummi May Pay Dividend

HANOVER (Reuters) — Continental Gummi-Werke AG's managing board will propose a dividend of at least 5 percent of its shares' face value of 50 Deutsche marks (\$18.32) for 1983, a company spokesman said Wednesday.

The last time Conti paid a dividend was 2.50 DM on 1980 results. Profits for the world group and the parent company will be significantly higher than in 1982, when the group earned 20 million DM and the parent earned 5.7 million DM, the spokesman said.

Reagan Asked to Settle Feud Over IDA Funding

By Hobart Rowen
Washington Post Service

WASHINGTON — President Ronald Reagan has been asked by Treasury Secretary Donald T. Regan to resolve a dispute between Mr. Regan and Secretary of State George P. Shultz over how much money to give to an aid program for Third World nations.

As chairman of the senior inter-governmental committee on international economic affairs, Mr. Regan recommended to the president last week that the U.S. contribution to the International Development Association be limited to \$750 million annually. Mr. Shultz urged that it be raised to \$800 million.

The United States supplies about 25 percent of the IDA's funds. The smaller U.S. contribution would

limit total IDA aid over three years to \$9 billion, while the larger figure would allow a \$12-billion program.

The size of the U.S. contribution will come up with some urgency at a two-day meeting starting in Paris Friday of the deputy finance ministers for the IDA, who are to determine the size of the lending program for three years beginning in mid-1984.

White House officials said Tuesday night that Mr. Reagan would make his decision by Thursday.

Treasury Department officials had hoped to keep to the \$750-million annual limit. Pressures to be more generous are coming from several influential sources, including Mr. Shultz and, according to one report, Vice President George Bush.

Statoll Approves Plans For North Sea Pipeline

OSLO — The Norwegian state oil company, Statoil, has approved plans for a 2.26-billion-kroner (\$300-million) pipeline transporting oil from two fields in the North Sea.

Norsk Hydro, which is partly controlled by the state, will be jointly responsible for the project, to be completed by 1989, Statoil announced Tuesday. The new pipeline, from the Gullfaks and Oseberg fields, will bring oil to Mongstad, north of Bergen, which will become one of Europe's leading oil terminals, a Statoil spokesman said.

The IDA is part of the World Bank group. It makes grants to poor countries for a 40-year period at no interest, with only a small service charge. Treasury officials, mindful of the recent congressional struggle over increased funds for the IDA.

The members of the European Community have called on the United States to agree to a \$1-billion annual share for the IDA, which would make a \$12-billion program possible over the next three years.

West German Embassy officials confirmed that a plea to that effect was delivered last week in a personal letter from Chancellor Helmut Kohl to President Ronald Reagan. Similar notes have been promised

Regan Says GNP Growing at 6-7%

Reuters

NEW YORK — U.S. Treasury Secretary Donald T. Regan said Wednesday he expected inflation-adjusted gross national product to grow at a 6-7 percent annual rate in the fourth quarter of 1983 and that 1984 will also show healthy growth.

Answering questions at the Women's Bond Club, Mr. Regan also said he wanted Martin S. Feldstein to remain as chairman of the Council of Economic Advisers. Mr. Regan said Mr. Feldstein and he sometimes disagreed, but that this was healthy. They both agreed that federal budget deficits were a matter of concern. "What I'm suggesting, though, is that it's not simplistic to say that deficits and only deficits are responsible for the high rates of interest in the United States," Mr. Regan said.

Monetary policy and inflationary fears also contribute to rate levels, he said.

by Prime Minister Margaret Thatcher of Britain and President François Mitterrand of France.

The EC petition for a larger IDA program was delivered Monday to the deputy secretary of state, Kenneth W. Dam, by the ambassador of Greece, George Papoulas, on behalf of the Delegation of the European Communities. The document argued that a program of only \$9 billion, keyed to a U.S. contribution of \$750 million a year, is "gravely inadequate."

Gordon Getty Amends Divided Firm's Bylaws

By Thomas C. Hayes
New York Times Service

LOS ANGELES — Gordon P. Getty has amended the bylaws of Getty Oil Co. apparently in an effort to halt the company's legal challenge to his sole voting authority over a family trust that controls 40.2 percent of Getty Oil's common shares.

Mr. Getty was joined in his action Tuesday by the J. Paul Getty Museum, which holds 11.8 percent of the shares.

The move was attacked as illegal by Getty Oil's management. Sidney R. Petersen, the chairman and chief executive officer, said through a spokesman that the management was "shocked and alarmed" by the action. There was no comment, however, on how it would respond.

Since the Sarah C. Getty Trust and the museum together own 52 percent of the company's shares, that could be enough to remove Mr. Petersen and directors who support him if a shareholder vote develops.

The changes in the bylaws would, among other things, require 14 of the 16 directors to approve any legal action taken against stockholders owning 5 percent or more of the shares. The two stockholders fitting that description are the trust, which Mr. Getty heads as sole trustee, and the museum. Holding a majority of the stock, they can change the bylaws without a formal shareholder vote under the laws of the state of Delaware, where Getty Oil is incorporated.

In a statement concerning the changes, the trust and the museum

declared that the company had violated an Oct. 19 agreement calling for it, the trust and the museum to discuss major policy moves "openly" before any actions were taken.

According to the trust and the museum, a breach occurred on Nov. 15 when the company joined in a suit by J. Paul Getty 2d seeking to oust Gordon, his younger brother, as trustee and to have the Bank of America appointed as trustee.

The action was taken "without the knowledge of Gordon P. Getty," said the trust and the museum, adding that "Getty Oil has intentionally failed to honor the standstill agreement" of Oct. 19.

Last week Mr. Petersen rejected a request by Harold M. Williams, chairman of the museum, for a special directors' meeting to review the company's suit against Gordon Getty. The next board meeting is scheduled for the second week in January.

With that schedule, it is unclear whether Mr. Williams will continue to press for a special meeting. Such a meeting may be called, however, since another bylaw change would enable any three directors to call one. In addition to Mr. Williams, Gordon Getty has three other allies among the company's 16 directors.

Getty's management said Tuesday that it considered the Oct. 19 agreement to be still in effect.

In a letter written by outside lawyers and released to reporters by the company, Getty Oil maintained that Gordon Getty and Mr. Williams were aware as early as last September of the intent of Paul Getty and the company to challenge Gordon Getty's status as the sole trustee of the trust.

A company spokesman, Jack Leone, said that the Oct. 19 agreement, among other things, prohibited Gordon Getty and Mr. Williams from acting together to control corporate policy.

The letter prepared by the company's outside lawyers said that Gordon Getty had made several attempts between July and October to gain control of the company and oust Mr. Petersen.

More U.S. Concerns Bypassing Local Phone Firms

(Continued from Page 13)

companies from bypass appears to be small. While a company might build a radio link between two buildings, it still must use the local phone network to call customers, suppliers and employees' homes.

Westinghouse, despite its private Pittsburgh network, still has a \$6-million annual telephone bill from Bell of Pennsylvania.

How big bypass may become is also a matter of debate. Such consulting firms as Telestrategies of McLean, Virginia, and the Perspective Telecommunications Group of Paramus, New Jersey, estimate that local phone companies might lose 3 to 10 percent of their revenue in the next few years.

That does not sound like much, but most analysts say the threat of cream-skimming is genuine.

"Not only do you have a limited

number of large customers, but you also have them concentrated in a geographic area," said Joseph Kramer of the accounting firm of Touche Ross & Co. "You don't have to build a new telephone company to get their business."

Several technologies can be used as alternatives to the phone company's wires. Chief among them at present is microwave radio. Cables used for cable television can also be used to carry voice and data, as can fiber-optic cables. Satellites can bypass the local and long-distance networks.

The most important distinction, however, is not the technology used, but what part of the phone system is bypassed.

In purely local bypass, a company connects two or more of its own buildings in the same city. This is what Westinghouse and Boeing do.

Phone companies worry most about customers bypassing them to

gain access to long-distance service and thus avoid the charges now relied on to subsidize other local rates. Many large customers, including the federal government and state governments, complain about bypass, already use private lines to connect to long-distance facilities, avoiding the per-minute subsidy charges.

Still another type is total bypass, avoiding both local and long-distance lines, which occurs when a company connects its buildings in different cities with a satellite network. Citicorp and Harris Corp. are among those doing this; they have satellite networks that in addition to carrying telephone conversations can transmit data between their buildings in different cities.

Phone companies worry most about customers bypassing them to

Gold Options (prices in \$/oz.)				
Month	Feb.	Mar.	Apr.	May
300	205.25/207.25	190.00/191.00	---	---
400	205.25/207.25	190.00/191.00	---	---
500	205.25/207.25	190.00/191.00	---	---
600	205.25/207.25	190.00/191.00	---	---
700	205.25/207.25	190.00/191.00	---	---
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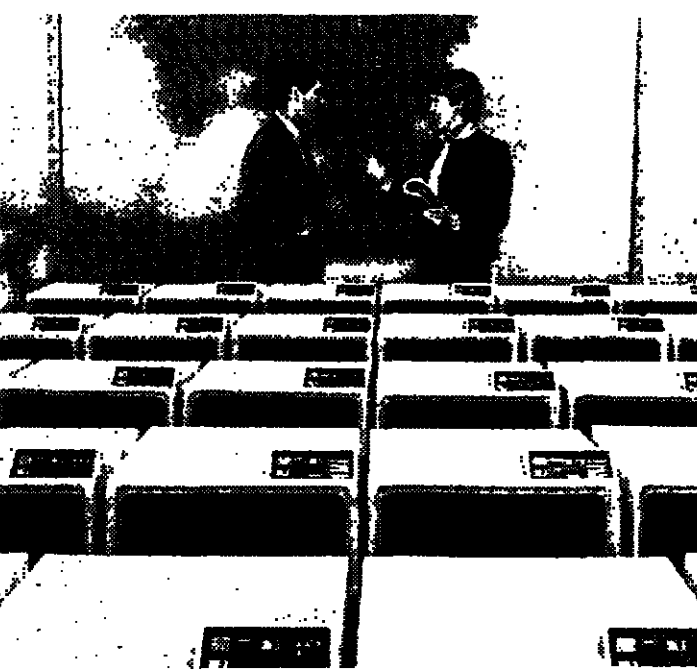
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Chemical on Bank-to-Client Communications

There are so many claims in Cash Management, you have to question whether they are innovations for their own sake, or for yours. At Chemical, we don't call it news unless we can really improve the way we and our customers communicate with each other. That kind of commitment is Chemical's tradition. It's made us the brains in the business.

Today, our Financial Services Division offers corporations a remarkable cash management system. DirectLink™ Bypassing manual operations and terminal print-outs, our DirectLink service lets your computers retrieve detailed balance and transaction information at high speed,



directly from our data base. This gives you enormous flexibility and introduces electronic accounting.

Highly innovative? Unquestionably. But it's a logical extension of Chemical's pioneer services, ChemLink® and Data Exchange. And these will continue to set the standards for thousands of corporations and banks, all over the world.

We're also leading the way in corporate-to-corporate trade payments, with expanded Electronic Funds Transfer capabilities to link all your funds movement needs to our systems. Immediate, effective, reliable.

Innovative technology is only as good as the results you get. We keep you right on the money.

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Innovation is being right on the money.

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AMEX Most Active					
	Vol.	HIGH	LOW	CHG	Close
Dor Gas	3889	25 1/2	24 1/2	1 1/2	25 1/2
Edmond Ind	3028	25 1/2	24 1/2	1 1/2	25 1/2
Windsor S	2576	25 1/2	24 1/2	1 1/2	25 1/2
Arnold & S	1982	17 1/2	16 1/2	1 1/2	17 1/2
Western S	1732	18	17 1/2	1 1/2	18
Heater's	1670	16	15 1/2	1 1/2	16
Resort A	1599	29	28 1/2	1 1/2	29
TIG S	695	28 1/2	27 1/2	1 1/2	28 1/2
Coastal P	943	12	11 1/2	1 1/2	12
Domest P	84	3 1/2	3 1/4	1 1/4	3 1/2

AMEX Stock Index			
	Previous	Change	Close
High	Low		
224.08	222.75	224.08	222.75

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(Continued on Page 16)

THE NIKKO PERSPECTIVE

ON HOW The Japanese Financial System is Changing

Michiya Matsukawa, former Vice-Minister of Finance for International Affairs and present Chairman of the Institute, The Nikko Research Center, Ltd., provides a perspective on changes taking place in Japan's financial system.

RECENTLY there has been criticism from both within Japan and abroad that the Japanese financial system has not adapted to suit the current social and economic environment. What is your personal viewpoint?

Matsukawa: My own analysis of the situation starts from the pace of economic change in Japan. Overall economic development has been extremely rapid in the period since the end of the Pacific War, implying that most sectors of the economy have responded reasonably well to economic growth and the changing international environment. Unfortunately, the financial services industry has been one of the slowest.

There are several reasons why the financial structure has fossilized and become dated—reasons that have close parallels in other industrialized nations. The first has been an overwhelming concern by investors with safety of principal with little regard for reasonable returns. This encourages perpetuation of the status quo and the inefficiencies that go with it. A second reason has been the separation of the banking and securities businesses as modeled on the Glass-Steagall Act in the United States. This has perpetuated an artificial segmentation of the financial services industry. Those arguing to maintain the existing financial structure start from the basic tenet that the small must be protected, both the small savers and the small institutions that have traditionally served them.

But reality is making this policy increasingly untenable. Just looking briefly at the historical process, there have been several interesting trends. Before the war the postal savings system was there to serve those with small deposits and to ensure that they had liquidity. The rich, though small in number, speculated in the futures of silk and beans. Later on, these same investors moved into the stock market. Thus we saw the beginning of a healthy financial system that offered various combinations of risk and return.

The war turned back the evolutionary clock to a point where the predominant concern was security of principal and liquidity. But economic development accelerated, and the level of personal financial assets has grown to the point where, on a per capita basis, it is among the highest in the world. In the process, demand for liquidity declined, and the sensitivity of investors to yields rose. This trend has been very apparent since the late 1960s.

SO WHY hasn't the financial system responded to this trend? And are there any factors that are forcing it to respond?

Matsukawa: It has responded, but at a very slow pace. At each step of the way the grandfather clauses—whether implicit in the conventions of the financial system or explicit in legislation—have forestalled changes and perpetuated such aspects of the financial system as the structure of the banking system and the mechanism for determining interest rates. And the spectre of

past failures of financial institutions is all too fresh in the minds of many and all too conveniently used to argue against reform, since drastic changes could imply potentially disruptive forces.

But right now the pressures for change are strong. I have already mentioned the growing volume of household financial assets and their search for higher yields. At present these assets total ¥430 trillion. A related pressure has been the sizable volume of national government bonds outstanding—currently ¥100 trillion—and their weakness in the secondary market. A third important trend has been the internationalization of funds flows since the 1950s. This particular trend is forcing Japan to discard its unique system of accounting and other financial conventions.

ONE LINE of argument states that the monetary authorities are the brake that has slowed down changes in the financial system. With your experience in both the public and private sectors, what is your analysis of this argument?

Matsukawa: It is easy to place the blame on government, but I don't think it is appropriate in this case. There are no legal barriers to the type of changes for which I and many others are calling. The barriers are the strictures of past convention, whether it is the determination of interest rates, the composition of the syndicate for underwriting government bonds, access to membership in the stock exchange, the ability to acquire other financial institutions or the opportunity to move into the trust business.

Just to comment further on a couple of these issues, take the call for interest rate liberalization. The only legal restriction is the upper rate that can be offered on deposits; yet monetary authorities find themselves in a position of having to mediate among various types of financial institutions with conflicting interests in order to keep an eye on the health of the whole financial system and, at the same time, to encourage change. Thus the possibility of absurd situations, such as when the yields on government bonds have been higher than those on corporate bonds.

Another area is the trust business, which has been legally separated from banking operations. With pension fund assets growing at roughly 20 percent a year, many financial institutions have been anxious to join the trust banks and life insurance companies in managing these assets. Recently when a foreign bank sought a license for these activities, there was strong protest from the Japanese commercial banks, since they felt they had been waiting in line for years for the same privilege.

ADMITTEDLY the process of achieving a consensus is long and involved in any country, but what course do you expect this process to take in Japan?

Matsukawa: I think the course of change has been quite transparent. The easiest changes are made in those areas where there are no serious conflicts of interest. A good example is the development of a money market with the bond repurchase agreements, certificates of deposit and other instruments in what I think can be called a relatively short period of time, although I am sure many of my



friends in the international banking community were hoping it would even be shorter. And I am sure we will see progress on such issues as the bidding system on treasury bills and bankers acceptances.

THERE has been serious discussion recently of setting up an offshore market in Tokyo. What is your opinion?

Matsukawa: Basically I am reluctant, but for reasons that differ from those officials in the Bank of Japan who see an environment in which it would be harder to control the money supply or those in the Ministry of Finance who are worried about tax evasion. Very simply I believe that isolating the domestic market from an offshore banking center would further retard the pace of change in the Japanese financial system and even work to fossilize the current structure. It should definitely not be a top priority.

WHAT then are the top priorities in your own agenda for reform of the financial system?

Matsukawa: The top priorities are the liberalization of interest rates—freeing them from the traditional hierarchy of fixed relationships—and the development of new financial products. For a securities firm such as Nikko this means competing in segments traditionally considered the domain of the banks. I would also like to see the trust business opened up to more participants. In the banking area I think the banks should be allowed more tax-exempt reserves to reflect the increasing risks that they are incurring in international lending.

FINALLY could you comment on the impact of foreign exchange markets on the management of the domestic financial system?

Matsukawa: The issue of domestic interest rates as it relates to movements of the yen is an extremely complex one. Until two or three years ago, the movements of the yen closely followed changes in economic fundamentals. Then, with the increasing liberalization of capital flows into and out of Japan, interest rate differentials and the resulting arbitrage activities have had a growing impact on exchange rates. But most recently, currency futures markets such as the International Money Market have added a new dimension to the foreign exchange market. Thus, apart from the settlements for goods and services or the transactions of the arbitrageur that involve the flow of funds across national boundaries, purely speculative money games and the expectations of investors are determining short-term directions in foreign exchange markets. It is just like the speculation in such commodities as silk and beans that I mentioned earlier: no one really intends to take delivery.

Needless to say, such a market defies government intervention. In fact, attempts at intervention can have an adverse psychological impact on the market. That is one reason why I have been against the proposed issuance of bonds in the United States by the Japanese government. You can't make water flow uphill, and it is just as hard to stem the flow of capital out of a country with high savings.

Therefore I believe that a move in the direction of further liberalization is desirable because it makes foreign exchange trends more predictable and thus exchange rates less volatile.

Nikko Securities

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U.S. and Japan To Ask a Round Of GATT Talks

The Associated Press

TOKYO — Japan and the United States are to propose a new round of multilateral trade negotiations of the General Agreement on Tariffs and Trade in the autumn of 1985, Japan's Foreign Ministry said Wednesday. The talks are to focus on eliminating protectionism.

According to an unofficial agreement made this week in Washington between Michio Mizoguchi, special economic adviser to Foreign Minister Shintaro Abe, and Deputy U.S. Trade Representative Michael Smith, the two countries will take the initiative in opening the new round.

The round was proposed jointly by President Ronald Reagan and Prime Minister Yasuhiro Nakasone during their summit in Tokyo in November, the official said.

He said the two nations would call for participation by developed and developing nations at the ministerial meeting of the Organization of Economic Cooperation and Development in Paris next spring and at the seven-nation summit of industrialized nations to be held in London next June.

Included in the agenda for the proposed new round of GATT talks are elimination of tariffs and non-tariff barriers, new rules to encourage investment exchanges, particularly in the areas of high technology and finance, and a stronger GATT structure to deal effectively with trade friction, the official said.

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U.S. Panel Rules Out a Law to Resolve Struggle With States on Unitary Taxes

By Martha M. Hamilton

WASHINGTON — A presidential commission working on the unitary tax issue — which has pitted states against multinational corporations and alienated major U.S. trading partners — has ruled out trying to resolve the problem by federal legislation that would preempt states' rights.

The Unitary Tax Working Group directed its staff to develop a plan involving voluntary compliance by the states, while keeping the long-run option of federal legislation open. The possibility of such legislation appeared remote, however.

Under the unitary tax system, states tax corporations on a pro-rata share of total earnings, including profits in other states and other countries. States, concerned about possible under-reporting of income by corporations or the ability of corporations to switch profits among subsidiaries to evade state taxes, have argued in favor of the unitary system.

The Supreme Court in June upheld California's right to tax U.S.-based multinationals on a unitary basis.

Trading partners of the United States, including Japan, Britain and Canada

SPORTS

U.S. Olympic Hockey Team: Loose, Talented

By Neil Andrus

New York Times Service

BLOOMINGTON, Minnesota — Lou Vairo's subject of the moment was positioning around the net. As usual, Vairo was animated and lively, even on the ice.

"Camouflage yourself and sneak around and position yourself," the 26-year-old head coach of the U.S. Olympic hockey team told his 24 players, as if he were outlining a commando raid on a jungle outpost.

Picking up on Vairo's vivid dialogue, Phil Verchota, 26-year-old captain and one of the two returning members from the 1980 gold-medal team, then teasingly upped around the net.

The ability to improvise, on and off the ice, is only one of the qualities that has transformed Team USA from a diverse band of free-wheeling individuals to a swift, smooth-functioning unit capable of outskating professional teams.

The Colorado Flames, who lead the Continental Hockey League, rallied to beat Team USA, 4-2, here Tuesday night, but one of their opponent has managed as many as 27 goals in a single game. The team's record is 26 victories, 12 losses and 7 ties.

Friday night in Lake Placid, New York, the Americans will find out how far along they are on the road to the Winter Olympics when they begin a six-game series against an all-star squad from the Soviet Union. It will not be the Soviet Olympic team, but as Vairo, a long-time observer of Soviet hockey, noted, "We know the Soviet B team is as good as the Czech A team."

Win or lose in Lake Placid or at the Olympics in Sarajevo, this team seems certain to leave its imprint on the sport.

It is the youngest (averaging 20.7 years) and swiftest U.S. team ever and has benefited, in corporate and public support, from the 1980 miracle workers. Its annual budget, according to Walter Bush Jr., the

chairman of the U.S. Olympic hockey committee, is \$1.3 million; in 1980, that budget ran between \$800,000 and \$900,000.

But numbers aside, substance, style and spirit abound on the squad. Four players are taping and writing daily recollections of their six-month experience, including Ed Olczyk, a remarkably poised and gifted 17-year-old.

In airports or hotels, almost as many team members reach for the business section of newspapers as the sports section.

"Even that works out well," said Bob Brooke, a Yale graduate in economics who is one of three Ivy League players on the team. "One of our greatest assets is the balance of character, the different ages and educational backgrounds, the different geographical backgrounds."

That comes together to form a wider perspective.

"Even that talent overshadows all other factors in the final squad selection in July. But the balance between players in their teens and 20s, between east and west and between personalities has a rare mix-and-match quality."

There are two David Jensens, unrelated and differentiated by middle initials (A. and H.); there is a brother combination, the Fuscus from Burlington, Massachusetts, and there are two distinctly different goalies.

Bob Mason is an intense stand-up stylist and Mark Behrend is more low-key, a player whom Vairo labels a butterfly for his sprawling saves.

No U.S. hockey team has been more scrutinized for its skating, but this squad also knows when and how to loosen up. Inside the dressing room at the Met Center here hangs a sign, "Put Up Or Shut Up."

Players remember the day Vairo brought the sign to practice and sermonized about negative grumbling and positive thinking. The following day, the sign was taped to the wall of the dressing room, but someone had added the words "Or Donate."

Relieving the tension and tedium that understandably develop during a 65-game schedule in 44 cities requires original thinking. After arriving at Denver's Stapleton International Airport for their fifth game in eight nights in late October, the players were greeted by the public-address system paging "Hobby Baker" for a message. That is the team's nickname for Mark Fusco, who at Harvard last year won the Hobby Baker Memorial

Award as the country's top collegiate player.

No one could figure out who planted the announcement or how, but "it loosened everybody up," Brooke recalled.

Even Pat LaFontaine, the team's leading scorer, who is nicknamed Franny (for The Franchiser), was a target in the team dining room after missing the flight to Chicago for a game against Team Canada last Thursday.

"Hey, Franny, did you get your own charter?" someone chided the 18-year-old LaFontaine, who was the New York Islanders' top pick, and the third overall, in the 1983 amateur draft.

When he is not being tweaked about his star status, LaFontaine catches it for his deep, dark "Saint Bernard" eyes.

"It's such a grindy year," LaFontaine said over breakfast recently, "that it's important to have fun."

This team does, without losing sight of its objective. Steve Griffith has his own formula — loon calls and imitations of police-car sirens — for dull practice patches. "He does an incredible loon," says Corey Milten.

The 22-year-old Griffith, who was not even among the original 80 invitees to last summer's National Sports Festival, where the squad was selected, is also credited with tagging the trip of LaFontaine, Olczyk and David A. Jensen, 18, as The Diaper Line.

Then again, Griffith is not a goalie who has to face Jensen's speedy moves or Olczyk's slapshot, which Brooke describes as "unbelievable — an NHL shot."

"This team does have character," says Vairo, whose style is more personal than the more aloof approach used by Herb Brooks, the 1980 U.S. coach.

"It's demonstrated great character. They bend, but they don't break. Every adverse situation we've been in, we've responded in a positive fashion."

Some skeptics feel the squad is too young, fast enough but not physical enough, aggressive but short on defensive discipline and specialty skills. Counters LaFontaine: "We played the pro teams."

"This squad is certainly equal, if not a little bit faster than the '80 team," said Verchota, who returns from the gold-medal group.

Typically, the players see the 1980 gold medal as more of a blessing than a burden. They prefer visibility over the anonymity that the 1980 squad endured before Lake Placid, and they are not envious when youngsters wander through hotel lobbies wearing red, white and blue USA hockey shirts with Jim Craig's Olympic number.

"We're trying to downplay the '80 team in our minds," said Paul Gaudin.

"We're proud of what they did, but we have to play our game. It's

like taking a test. You say, 'Oh my God, I have to do well.' So then you put down the wrong answers because you're not thinking. We have to do what we can do well."

What this team does well is skate and compete. Last Thursday in Battle Creek, Michigan, the Americans fell behind, 4-1, to Team Canada, rallied to within a goal, 5-4, in the closing minute, but lost, 6-4. The United States will open against Canada on Feb. 7 in Sarajevo; the Americans are 3-4-3 in their 15-game series against the Canadians.

Against National Hockey League teams, they are 3-3-1.

"We're not a team that quits — so far," Vairo said. "We're a team that battles every minute. That shows me something. We don't have guys who give up, and I really respect that. I think that's a big, important quality the '80 team had. They didn't have quitters. You had to beat them; they wouldn't lose. I think our team is going to be similar in that mentality."

"The biggest difference is personnel differences," Verchota observed. Of the two teams, "We're developing 24 new faces. Anytime you have 24 new faces, you have to meld into one unit, which we did quite well in '79 and '80. Only those seven games in Sarajevo will tell how well."

It is a team willing to work, even when Tom Hirsch is tossing spaghetti on Gary Hight's back during dinner and telling his teammate, "Hey, you got noodles coming out of your ears."

"We're a bunch of loose gooses, and I'm surprised at that," says Olczyk, who played like a future Phil Esposito and who could be the No. 1 player in the next amateur draft. "I thought maybe the view of it would be 'Gee, we're representing the United States, we can't do anything wrong.' But when it comes to skating, we're serious, and that's no joke."

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NHL Scoring Leaders

Player	G	A	PTS
Grete, Edm.	30	30	60
Kurvi, Edm.	28	30	58
P. Smyth, Que.	14	35	49
Trotter, NYI	14	35	49
Nichols, LA	18	24	42
Boeser, Bos	13	28	41
Peschman, Win	16	24	40
Dionne, LA	11	29	40
Hunter, Que.	17	22	39
Bossy, NYI	21	17	38
Goulet, Que.	16	22	38
Federber, StL	15	23	38
Tanti, Van	22	16	38
Perreault, Buf	16	22	38
Messier, Edm	9	27	36
Simmer, LA	17	19	36
Ciccarelli, Min	20	15	35
Coffey, Edm	12	23	35
McCarthy, Min	17	18	35
Rota, Van	20	15	35



It's Such a Grindy Year, It's Important to Have Fun.

rene Eppe Takes Opening Downhill

United Press International

AL D'ISERE, France — Truncle of West Germany scored her ever victory in a women's world Cup downhill, setting an early pace in the season's first downhill that no other racer could touch.

Eppe, 26, was the first starter on a 2.76-meter course (7,432 feet), which had a drop of 620 meters. She clocked an immediate time of 1:22.34, followed by a second time of 1:22.34, followed by a third time of 1:22.34, followed by a fourth time of 1:22.34, followed by a fifth time of 1:22.34, followed by a sixth time of 1:22.34, followed by a seventh time of 1:22.34, followed by an eighth time of 1:22.34, followed by a ninth time of 1:22.34, followed by a tenth time of 1:22.34, followed by an 11th time of 1:22.34, followed by a 12th time of 1:22.34, followed by a 13th time of 1:22.34, followed by a 14th time of 1:22.34, followed by a 15th time of 1:22.34, followed by a 16th time of 1:22.34, followed by a 17th time of 1:22.34, followed by a 18th time of 1:22.34, followed by a 19th time of 1:22.34, followed by a 20th time of 1:22.34, followed by a 21st time of 1:22.34, followed by a 22nd time of 1:22.34, followed by a 23rd time of 1:22.34, followed by a 24th time of 1:22.34, followed by a 25th time of 1:22.34, followed by a 26th time of 1:22.34, followed by a 27th time of 1:22.34, 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